

CONGRESSIONAL DIGEST

PRO
AND
CON

June-July, 1934

Congress and the "New Deal"

The Trend as 73d Congress Closes
Origin of the Term "New Deal"
Checking "New Deal" Legislation
Glossary of the Alphabet Agencies

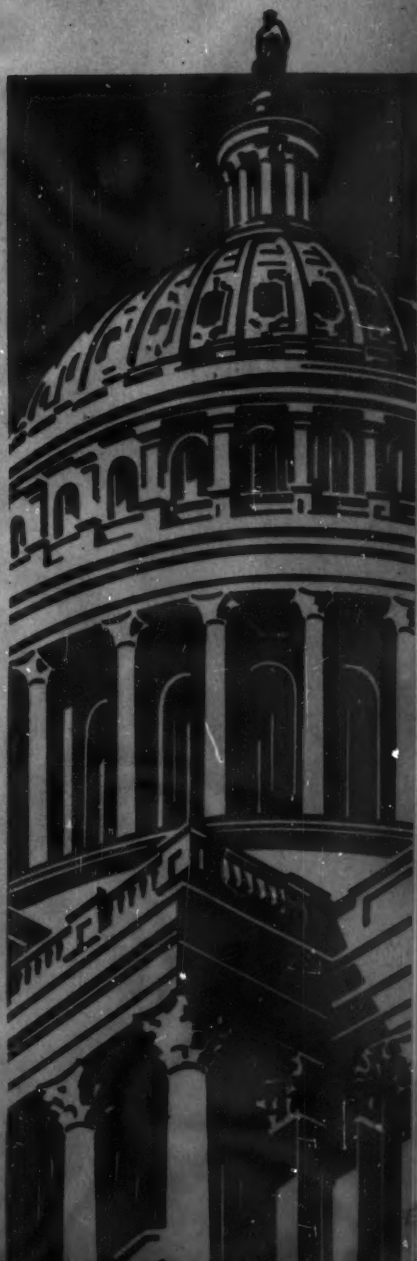
Is the Roosevelt "New Deal" Proving Successful? Pro and Con

Progress Made on Other Legislation
Aftermath and Regular Departments



WASHINGTON, D.C.

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THE CONGRESSIONAL DIGEST

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THE QUESTION THIS MONTH:

Is the Roosevelt "New Deal" Proving Successful?

Foreword

As was predicted by most dispassionate observers some months ago, the testing period of the Roosevelt New Deal has been reached.

Those who were well enough versed in political history and who were of a temperament which enabled them to take a detached view of the action and trends of the first few months of the Roosevelt Administration generally agreed that the full speed and power of the President's program would carry on for about a year. That it would then strike a snag or two, recover momentum and, in another few months, would again hit rough spots—more spots and rougher spots than it had struck when the first twelve months were ended.

Again it would slow up, the students of political history prophesied, and the President would receive a thorough test as a political leader.

Checked up as it stands today, the New Deal may be said to have arrived at a point where some of it will have to be scrapped, some of it remodeled and new moves will have to be thought out.

Strong adherents of the President maintain that he is made to order for that job, and that before another year rolls around he will be completely entrenched in the confidence of the American people. They point out that even now, in spite of plenty of criticism for the New Deal and for some of the New Dealers, no real criticism of the President is being voiced.

On the other hand, severe critics of the President take the view that almost the entire New Deal is "on the skids"; that soon NRA and AAA will collapse, and that other units will follow rapidly after them. The next phase, they predict, will be the realization by the public that, after all, the President is the New Deal and that he is actually responsible for all the things being done by the New Dealers under him and that then the entire program will blow up. They add that all that is keeping the popularity of the Administration alive is its unprecedented outpouring of money from the public treasury and that once the tide of expenditures ceases, or even perceptibly slows up, half of the support of the Administration will fall away.

These are the two extreme views one hears expressed

in private by men in Washington whose opinion on such matters is considered worth hearing. They include Senators, Representatives, newspaper correspondents and the higher grade of employees around the Capitol, all of whom spend their lives in one or another phase of national politics.

That the original prediction of these observers as to the time which would elapse before "the honeymoon was over" was correct is borne out by the facts. During the first session of Congress the President had no difficulties. In the second session he began to strike trouble and that trouble has steadily increased, until he is facing defiance by the Senate in the closing days of the session.

The real testing time will come, however, in the first session of the Seventy-fourth Congress, which will meet on January 3, 1935. Much of the legislation giving him extraordinary powers is limited to two years and will have to be reenacted at the next session. By that time Congressional elections will have been held and many of the experiments being tried under the New Deal will have had time to prove themselves.

In presenting a discussion of the progress of the New Deal in this number, the CONGRESSIONAL DIGEST has sought to give highlights on its birth and development up to date, with samples of the praise and blame that are falling upon it.

On ensuing pages will be found as nearly an accurate record of the important New Deal legislation passed by Congress as can be given within the requirements of space.

In the Pro and Con Section will be found the opposing views as expressed by Senators, Representatives, members of the Cabinet and others, which are presented with the object of giving the reader a broad, general view of the support and opposition.

These statements will furnish the reader with an idea of the trend the criticism is taking and how that criticism is being met.

Much will be heard of the New Deal during the coming Congressional campaign but that will be only preparatory to the real threshing out that will begin when Congress convenes next January.

Origin of the Term "New Deal"

WHENEVER, in American politics, a hot Presidential campaign is on an ear-tingling slogan always appears.

Back in 1896, when William Jennings Bryan was the nominee of the Democratic party and William McKinley the candidate of the Republican party, the first of the modern slogans appeared.

In his famous speech at the Democratic National Convention in Chicago, which stampeded the convention to him, Bryan delivered his famous "Crown of Thorns; Cross of Gold" utterance that, while it was not exactly a terse slogan, nevertheless epitomized his program of redistribution of wealth by the free coinage of silver and led up to the great Democratic slogan of that year—"Free Silver."

Concluding his speech urging the convention to advocate the "free coinage of silver at the ratio of 16 to 1" Bryan said:

"We will answer their demand for a gold standard by saying to them: You shall not press down upon the brow of labor this crown of thorns. You shall not crucify mankind upon this cross of gold."

In reply to the Democratic cries of "Free Silver" and "Sixteen to One," Mark Hanna, Cleveland, Ohio, industrialist, having his first experience in national politics as chairman of the Republican National Committee, coined the slogan—"The Full Dinner Pail." The idea being that "sound money" would insure those who worked for a living steady employment and plenty to eat.

Four years later Bryan and McKinley were again nominated. Bryan stood by his silver issue and Hanna retorted with "Let Well Enough Alone."

In 1901 Theodore Roosevelt became President at the death of McKinley. Most of the apt phrases coined by Theodore Roosevelt were contained in his speeches while President. The principal T. R. phrases that remain in the memory are those embodying his demand for "A Square Deal" and his attacks against the trusts, whose heads he described as "Malefactors of Great Wealth." His campaign against Alton B. Parker in 1904 was devoid of nation-stirring slogans.

The year 1908 saw William Howard Taft and William Jennings Bryan opposed to each other and that campaign produced no slogans that are remembered.

Nor did the three-cornered race of 1912, with Taft the nominee of the regular Republicans, Woodrow Wilson the nominee of the Democrats and Theodore Roosevelt the nominee of the Progressive, or "Bull Moose" party, produce a tingling phrase. Wilson spoke frequently of "The New Freedom" and Roosevelt was spoken of as "The Third Termer," but slogans did not really effect the results. Wilson won because of the split in the Republican ranks.

In 1916, however, the Wilson campaign managers had what many veteran politicians consider the greatest political slogan ever used in American politics—"He Kept Us

Out of War." The fight was close that year and nine men out of ten taken from both parties who were active in that campaign are still convinced that that slogan was what turned the tide for Wilson.

War had been raging in Europe for two years. While it was divided, sentiment in the United States was mostly in favor of the Allies and against the Central Powers. It was generally understood that if the United States entered the war at all it would go in on the side of the Allies. But Wilson opposed this and stuck out for neutrality. And his campaign managers capitalized this attitude during the campaign of 1916 with that famous slogan.

The result was that thousands of Republican women throughout the country voted for Wilson as against Charles Evans Hughes because they felt that with Wilson in the White House their husbands and sons would remain at home.

The fact that five months after Wilson was reelected the United States did enter the war did not detract from the power of the slogan—"He Kept Us Out of War." It served to elect Wilson.

The campaign of 1920, with Warren G. Harding the Republican candidate against James M. Cox for the Democrats, produced a mild sort of a slogan in Harding's demand for "A Return to Normalcy." The existence of the word "Normalcy" was doubted and editors and writers rushed to their dictionaries. They knew what "normal" meant and they knew there was a word "normality," but "normalcy" was new to them. It is still absent from some of the standard dictionaries.

Weary of war matters, the voters were ready for a change and were not much concerned about slogans and Harding was easily elected.

"Keep Cool with Coolidge" was the nearest approach to a campaign slogan in 1924. John W. Davis, the Democratic candidate, was a conservative who did not appeal to half the Democrats. Robert M. La Follette ran independently on the Progressive ticket but there was little Republican defection from Coolidge, who won with ease, and the campaign was never hot enough to develop slogans.

Only one slogan appeared in the campaign of 1928 when Herbert Hoover, Republican, ran against Alfred E. Smith, Democrat, and that was the Republican slogan, coined for the prenomination campaign and carried through the Presidential campaign—"Who but Hoover?"

The coining of "The New Deal" slogan belongs to Franklin D. Roosevelt, himself. In concluding his speech of acceptance at Chicago on July 2, 1932, Franklin D. Roosevelt said to the listening convention delegates:

"I pledge you—I pledge myself to a new deal for the American people."

This promise of a new deal was taken up by the Roosevelt supporters and "The New Deal" became a slogan.

As with Theodore Roosevelt's "Square Deal," Franklin D. Roosevelt's "New Deal" was not a new phrase, but a well-known phrase applied to an existing situation in a manner to make it appeal to the public.

Later when Franklin D. Roosevelt was inaugurated President and began putting various of his policies into operation all these policies were grouped under the one heading—"The New Deal."

Special and Emergency "New Deal" Legislation

1933-34

ON March 9, 1933, the Seventy-third Congress met in extraordinary session in response to a call from President Roosevelt, and began, immediately, the consideration of special legislation asked for by the President to put into effect his plans for economic recovery.

The day Congress convened the President sent a special message asking for special legislation to enable him to deal with the banking crisis. Accompanying the message were two copies of a draft of the bill he desired passed, one copy for the House and one for the Senate. With practically no discussion and without a record vote in the House both houses passed the bill and it was approved by the President that night.

This was the beginning of a long series of measures acted upon by Congress to give the President the special powers he asked for. Some of these bills were passed as strictly emergency measures, with a time limit placed upon the life of their provisions.

In the following list, the DIGEST endeavors to give the most important of these measures by title, law number, date of passage, with record vote, wherever possible, and approval:

First Session March 9 - June 16,

1933

Emergency Banking Act. Public Law No. 1. Passed House March 9, without a roll call. Passed Senate March 9, 73 to 7. Approved March 9.

Amended the wartime Trading with the Enemy Act and the Federal Reserve Act and added new legislation giving the President greater control over banks and other financial institutions and over the currency "during time of war or during any other period of national emergency declared by the President."

No time limit placed on the operation of the Act other than the reservation of the right by Congress to amend or repeal it.

National Economy Act—Act to maintain the Credit of the United States Government. Public Law No. 2. Passed House March 11, 226 to 139. Passed Senate March 15, 67 to 13. Approved March 20.

Gave President authority to reorganize and reduce Government departments; to reduce compensation to war veterans and to reduce pay of Government employees. The Act provided that all executive orders of the President making changes under the authority granted must be issued and transmitted to Congress while Congress is

in session and limited the duration of the authority granted to two years after the approval of the Act, or until March 20, 1935.

(This Act was amended as to payments to war veterans and pay of Government employees in the Independent Offices Appropriation bill of 1934. See below.)

Agricultural Adjustment Act—Agricultural relief; farm mortgage relief; currency issuance and regulation. Public Law No. 10. Passed House March 22, without a roll call. (Motion to recommit defeated 197 to 89.) Passed Senate April 28. In conference until May 10. Approved May 12.

Provided for the refinancing of farm mortgages; curtailment of crops, in return for cash Government benefits, the money therefor to be raised by a tax on processed farm products; and gave the President power to expand the currency. (The Thomas amendment.)

That portion of the Act providing for Government aid to crop curtailment is limited as to time by a clause which states that those provisions "shall cease to be in effect whenever the President finds and proclaims that the national economic emergency in relation to agriculture has been ended."

Unemployment Relief Act. Reforestation. Public Law No. 5. Passed Senate March 28. Passed House March 29 with amendments, without a roll call. Passed Senate with House amendments March 30, 55 to 17. Approved March 31.

Authorized the President to use existing governmental facilities and funds for the relief of unemployment by employing citizens on public works including reforestation, etc. The Act allotted for this purpose the existing \$300,000,000 unexpended balance left from funds appropriated under the Act to Relieve Destitution, passed by Congress July 21, 1932.

The duration of the authority granted the President under this Act is limited to two years after its approval, or until March 31, 1935.

Federal Emergency Relief Act of 1933. Public Law No. 15. Passed House April 21, 331 to 42. Passed Senate May 1, without a roll call. Approved May 12.

Created the Federal Emergency Relief Administration and authorized the Reconstruction Finance Corporation to make available funds for relief by issuing bonds in the amount of \$500,000,000 and more, with the direct approval of the President, to be loaned to the states for relief purposes.

The life of the Federal Relief Administration was limited by the Act to two years after its approval, or until May 12, 1935.

Tennessee Valley Authority (Muscle Shoals). Public Law No. 17. Passed House April 25, 306 to 92. Passed Senate May 3, 63 to 20. Approved May 18.

Provided for a gigantic water power development to produce power and nitrates; for a vast housing project and general development at Muscle Shoals and throughout the Tennessee Valley. The sum of \$50,000,000 was appropriated outright for further construction of dams and steam plants and the Act also provided that "all appropriations necessary to carry out the provisions of this Act are hereby authorized." No time limit was placed on the operations of the act beyond the reservation of the right to amend or repeal.

Act for Relief of Small Home Owners. Public Law No. 43. Passed House April 28, 383 to 4. Passed Senate June 5 without a roll call. Approved June 13.

Amended Home Loan Bank Act to permit the Home Loan Bank Board to organize the Home Owners' Loan Corporation to refinance mortgages on homes having a value not exceeding \$20,000. The Corporation was authorized to issue \$2,000,000,000 worth of bonds for its purposes.

The Board was authorized to acquire home mortgages and other obligations, secured by real estate, for a period of three years after the approval of the Act, or until June 13, 1936.

Federal Securities Act of 1933. Public Law No. 22. Passed House May 5, 261 to 113. Passed Senate May 8, without a roll call. Approved May 27.

Provided for full disclosure of the character of securities offered for sale in interstate commerce for the protection of investors. It also created a Corporation of Foreign Securities Holders if the President desires to establish such a corporation. Designed as a permanent measure.

National Industrial Recovery Act (Public Works). Public Law No. 67. Passed House May 26, 325 to 76. Passed Senate June 9, 57 to 24. Approved June 10.

Created the National Recovery Administration and the Public Works Administration and provided tax increases to pay the cost of the Public Works Administration. It appropriated \$3,300,000,000 and authorized the President to allocate an additional \$100,000,000, from funds previously authorized, to carry out the purposes of the Act.

The operation of that section of the bill dealing with the National Recovery Administration is limited to two years from the date of approval, or until June 16, 1935, "or sooner if the President shall by proclamation or the Congress shall by joint resolution declare that the emergency recognized by section 1 has ended."

The same language is used to limit the time of that section of the bill providing for the issue of licenses except that it is limited to one year from the approval of the Act or until June 16, 1934.

The operation of the provisions for the Public Works Administration is limited to two years, or until June 16, 1935.

Second Session January 3, 1934

Independent Offices Appropriation Bill, 1935. Public Law No. 141. Passed House January 12. Passed Senate February 27. Vetoed March 27. Passed over veto in House March 27, 310 to 72. Passed over veto in Senate March 28, 63 to 27.

Amended National Economy Act of 1933 by restoring to the veterans some of the benefits abolished by executive order of the President and restored full pay to Government employees, cut 15 per cent by executive order.

Act to Continue Reconstruction Finance Corporation. Public Law No. 84. Passed House January 15, without a roll call. Passed Senate January 15, without a roll call. Approved January 20.

Protection of Currency System. Public Law No. 87. Passed House January 18, 360 to 40. Passed Senate January 27, 66 to 23. This Act gave the Secretary of the Treasury authority over the \$2,000,000,000 fund derived from the gold required by the Federal Reserve System to be deposited in the Treasury under the President's gold purchase plan.

Navy Construction Act. Public Law No. 135. Passed House January 30, without a roll call. Passed Senate March 16, 68 to 8. Approved March 28.

Authorizes the construction of naval vessels to bring the United States Navy up to treaty strength (see Aftermath, National Defense).

Civil Works Continuation. Public Law No. 93. Passed House February 5, 386 to 1. Passed Senate February 8, without roll call after amendments to increase the appropriation in the House bill had been voted down.

Authorized the appropriation of \$950,000,000 for the continuation of the Civil Works program.

Revenue Act of 1934. Public Law No. 216. Passed House February 22, 296 to 53. Passed Senate April 17, without a roll call after amendments had been voted on. Approved May 10.

Gives President authority to negotiate individual reciprocal tariffs and to raise or lower rates by executive order.

Home Loan Owners Corporation. Public Law No. 178. Passed Senate March 19 without a roll call, after adoption of Norris amendment providing that no political test should be applied to employees, by a vote of 40 to 33. Passed House April 5, with Norris amendment stricken out, 339 to 1. Approved April 27. *Home Loan Owners Act of 1933* amended to guarantee the bonds of the Home Loan Owners' Corporation, etc.

National Securities Exchange Act (Stock Market Act). Public Law No. Passed House May 4, 281 to 84. Passed Senate May 12, 62 to 13. Approved June 6.

The Alphabet Agencies of the "New Deal"

UNDER various emergency legislative acts there have been set up in Washington a number of corporations, "authorities," "administrations," and agencies whose titles are generally designated by their initial letters, a practice that became more or less prevalent throughout the world during the world war. So identified with the New Deal have these Government agencies become that they are usually referred to as "the New Deal Alphabet Agencies".

Following is a list of the more important of these agencies, their purposes and the authority for their creation.

A. A. A.—Agricultural Adjustment Administration. (Agricultural Adjustment Act.)

C. S. B.—Central Statistical Board. To coordinate departmental statistics. (Executive Order under Economy Act.)

C. C. C.—Commodity Credit Corporation. To buy and sell or lend on commodities. Executive order under Economy Act.

C. C. C.—Civilian Conservation Corps. (See E. C. W.)

E. C.—Executive Council appointed by the President to coordinate the work of the Executive Departments and the New Deal agencies. Executive Order under the Economy Act.

E. C. W.—Emergency Conservation Work. To relieve unemployment by reforestation. C. C. C. camps established under this agency under Unemployment Relief Act.

E. H. C.—Emergency Housing Corporation. Subsidiary of Public Works Administration.

E. I. B.—Export-Import Bank of Washington. Set up by Reconstruction Finance Corporation to finance foreign purchasers of American goods.

F. A. C. A.—Federal Alcohol Control Administration. To supervise manufacture of liquors. Executive Order under Economy Act.

F. C. A.—Farm Credit Administration. To coordinate Government aid to agriculture through loans. Executive Order under Economy Act.

F. C. O. T.—Federal Coordinator of Transportation. To coordinate railroad systems. Appointed by President under Emergency Transportation Act.

F. D. I. C.—Federal Deposit Insurance Corporation. To administer deposit insurance provisions of Banking Act.

F. E. R. A.—Federal Emergency Relief Administration—To supervise all work under various Relief Acts.

F. H. L. B.—Federal Home Loan Bank Board. Established to administer provisions of Home Loan Bank Bill.

F. M. C.—Federal Farm Mortgage Corporation. To handle farm mortgages under Farm Mortgage Act.

F. S. H. C.—Federal Subsistence Homestead Corporation. Specifically authorized by National Industrial Recovery Act to assist contractors in financing contracts.

F. S. L. A.—Federal Savings and Loan Association. Subsidiaries under Home Owners Loan Act.

F. S. R. C.—Federal Surplus Relief Corporation—Subsidiary of Relief Administration.

F. W. A.—Federal Emergency Works Administration. (Formerly C. W. A. Civil Works Administration.) To aid employment by public works. Established by National Recovery—Public works Act.

H. O. L. C.—Home Owners Loan Corporation. Administer provisions of Home Owners Loan Act.

N. E. C.—National Emergency Council. Appointed to advise President on various emergency problems. Executive Order.

N. L. B.—National Labor Board. Cooperate with N.R.A. in handling labor disputes. Executive Order.

N. R. A.—National Recovery Administration. Created by National Industrial Recovery Act.

N. R. R. B.—National Recovery Review Board. (Darrow Board). Appointed by the President to study the progress of N.R.A. and to make recommendations.

R. F. C.—Reconstruction Finance Corporation. Created by Congress in 1932 and continued in 1934.

S. E. I. B.—Second Export-Import Bank. (See E. I. B.)

T. V. A.—Tennessee Valley Authority. Created by Tennessee Valley Improvement Act to operate Muscle Shoals project, etc.

T. V. A. C.—Tennessee Valley Associated Cooperatives. Subsidiary of T. V. A. with headquarters at Knoxville, Tenn.

Is the Roosevelt "New Deal"

Proving Successful?

P R O

Arguments Favoring

PARTY control is as much a public trust as is public office and permanent success in politics more and more tends to be based on what we can do for our state and our nation than what we can do for ourselves.

The New Deal involves party management no less than it promises honesty, justice and efficiency in the direction of public affairs. Our sweeping victory in 1932 was the direct result of the Republican party's failure to live up to this cardinal tenet of political faith and its effort to continue a policy of favoritism to special interests, which while it brought vast profit to those special interests ignored the general public interest, and so finally brought about a collapse of the whole economic structure of our country. You cannot have prosperity on top and poverty at the bottom without insuring ultimate disaster.

Winning elections is an intensely practical enterprise. Organization is the basis of success, and I know that such success can only be continued by showing the people that campaign promises must be kept; that no party has a perpetual mortgage on the Government and that, under our two-party system, the voters will turn to one organization if the other proves untrustworthy or incompetent. There are voters on whom the partisan bonds rest lightly who will discard them if the organization in power does not make good—enough voters to upset the apple cart whenever it needs upsetting for the welfare of the whole people.

I have been spending a lot of time before Congressional Committees in reference to the cancellation of air mail contracts.

The simple fact is that from records taken from the files of the Post Office Department, from the files of air mail contractors themselves and from evidence produced before the Senate Investigating Committee, it was clearly shown that these contracts were given and obtained through collusion and fraud; that through them a few favored companies obtained many millions of dollars out of the public treasury; that great monopolies were being built up by Government subsidy and that it was my duty, under the law, to annul these contracts.

If this administration was going to keep faith with the people, these fraudulent contracts had to be wiped out. We had promised economy in Government; we had promised an honest departure from the practice of giving illegal or improper advantage to special interests.

There was no thought or suggestion of politics in connection with the cancellation of contracts. Notwithstanding, some of the spokesmen for the opposition party are diligently endeavoring to make it appear that there was.

I did not know when I annulled the contracts and I do not know now whether the men most involved are

by

Hon. James A. Farley,

U. S. Postmaster General

Republicans or Democrats and I am not concerned as to that.

The cancellation of the air mail contracts was just as much a part of the New Deal as any other action taken with a view to eliminating waste and extravagance in public expenditures. Certainly, fraud and collusion in the letting and obtaining of Government contracts could

not, under the New Deal, be condoned.

Representatives of a number of the companies have testified before the Senate Investigating Committee and by their own admission have made it clear that the air mail contracts were obtained by collusion and fraud and that the law requiring competitive bidding was evaded and violated.

Naturally, men are not disposed to submit without complaint when special privileges and illegal advantages are taken away from them. Something of this sort is at the bottom of much of the criticism that has recently been directed at the New Deal.

The country has been brought to desperate straits by exploitation; by centering all processes on the increase of profits, legitimate or illegitimate, until production had sped far beyond the limits of consumption, and with little or no regard to the primary necessity for keeping the purchasing power of the country at large up to the point where it could obtain what it would have bought if it had been possible to pay for it.

This course was continued until about thirty per cent of the wage-earning portion of our population was out of work, with the inevitable collapse of numerous industries, complicated and multiplied by the huge losses consequent on the foisting upon the public of vast bond issues, sharp practices with stocks, and a speculation orgy which when it crashed brought us all to bankruptcy or to the verge of it.

Everybody recognized that something had to be done. The men now foremost in their strictures on the course that was taken are the very men who clamored most loudly for the Government to take them out of the predicament into which their own greed had plunged them. These people, now that business seems to be coming back, want to get all the benefits for themselves, and let the rest of us revert to the misery of a year ago. I do not have to cite statistics to show the contrast between today and the early part of 1932.

This difference—the exchange of hopelessness for confidence—is due to one man, Franklin D. Roosevelt.

Of course, the process of recovery is by no means complete. You can not repair in a few months the damage of such an industrial hurricane as flattened us out over a period of years. What has been done is to turn the tide

Pro continued on page 168

Is the Roosevelt "New Deal"

Proving Successful?

Arguments Opposing

WHILE the New Deal experiments are in progress, there seems to be a growing tendency on the part of their sponsors to resent criticism, to attribute it to unworthily partisan motives, and to ascribe to the critics of certain policies of the New Deal a purpose to break it down for their own advantage. This sensitiveness to criticism appears to some of us to have its source in fears on the part of its authors that perhaps all is not well, after all, and that those of us who have been pointing out the dangers of these policies are perhaps right and the policies we are criticising are perhaps wrong. I am sure in my own mind that this is so. But be this as it may, the friends of the New Deal have on many occasions recently taken refuge behind the statement that no one has a right to criticise unless he can offer an alternative.

This is like saying that if we see a man staggering down the street, obviously under the influence of too much liquor, we have no right to say he should have stayed sober, or to try to persuade him to sober up. We should offer him instead some other kind of stimulant, or try to persuade him to become intoxicated in some other way. I do not intend in saying this to be facetious. I say it to illustrate what seems to me to be the state of mind of the professors, the doctrinaires and the theorists who are supplying the ideas for the New Deal, and to whom President Roosevelt unfortunately is listening. They have fed the country first one stimulant and then another until it is staggering under more different kinds of bad medicine than any country could possibly absorb without serious and possibly permanent injury.

And all it needs, in my own judgment, is to quit taking these stimulants; to get out of the overheated and stifling atmosphere of the New Deal; to get back to plain living and to sober up. That, basically, is the alternative I offer for the spree which has been in progress for the past year. If by liberal applications of cold water I can assist the country toward sobriety I shall continue to throw it by the bucketful.

There are alternatives which I would offer also for particular policies of President Roosevelt. I present them for two reasons: first, as a sincere expression of my own views as to the best approach to real recovery; and, second, as an answer to those defenders of the New Deal who ask constantly: "What is your alternative?" This is my answer:

Farm Policy—Instead of paying the farmer for plowing under his crops and reducing his acreage, a policy which is wasteful, sectional in benefit, and dishonest in conception; which has led to widespread abuses throughout those sections of the country where it is in evidence; and which likewise has placed a stupendous burden on

by

Hon. David A. Reed,
U. S. Senator, Pennsylvania,
Republican

all consumers, payable in higher living costs, I would give the farmer sound money, good roads, low taxes and interest rates, accurate market reports and the benefit of scientific research in the field of agricultural aids. Given these, I would let him alone. I would not pay him for injuring himself, as the government is doing at present. I would not encourage him to think that the government will somehow support him. Above all I would not interfere with his independence or in any way take from him the freedom which makes him prefer farming to any other occupation. The spending spree calculated to help the farmer has done untold injury to all farmers except those in a few states who have received money for work they did not do. And for this we all pay.

The N. R. A.—To the extent that the N. R. A. has raised wages, shortened working hours and succeeded in abolishing sweatshops and child labor it deserves commendation. These gains should be made permanent. To the extent that it has permitted price-fixing at the expense of the consumer, operated to nullify the anti-trust laws and injure the small merchant and the small business man—like the pants presser in New Jersey who was given a jail sentence for charging five cents less for pressing a suit of clothes than the National Recovery Administration thought he ought to charge—I am against it and think these policies should be discarded and the law itself repealed. In a society in which big business is slowly crowding out little business, minimum wage laws and fair trade laws are necessary. The small, independent business man who relies for success on his own character, energy and intelligence must be protected and encouraged. It is from this group that the Henry Fords have come. Yet it is big business which is being helped and little business which is being injured by the policies of the N. R. A. as administered at present.

The Currency—There can be no substitute for sound money in any country which uses money. To debase the dollar once is to establish a precedent for debasing it again. If it doesn't serve to raise prices the first time, there is always the temptation to inflate the currency a second time and a third and a fourth time. Inflation is a drug. I do not want to see the United States acquire the drug habit. It is probable that we can never go back to a gold dollar of the standard we knew before the arrival of the New Deal. The Federal government during the past year has reached into the pocket of every American citizen and taken forty cents of every dollar he possesses, no matter in what form it may be held or invested. If you or I did that as individuals it would be called stealing. The professors call it reflation. Called

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Farley, *Cont'd*

and start us on the upgrade, which course will continue unless the selfishness of a few short-sighted interests is able to put blocks in the way, and so delay our ultimate return to normal conditions. Incidentally, I do not mean conditions that piled up enormous fortunes on the one hand and on the other produced poverty to the bulk of our people.

The country was fortunate that the election of 1932 brought to the presidency a man who not only had a long thought-out and comprehensive plan to solve our problems but who had the courage to carry out his plan instead of letting us drift to still greater depths and then blaming world conditions for that continuance.

It was no great task to elect Roosevelt, but before that election he had to be nominated, and in the field for that nomination were some of the greatest men ever offered before a National Convention. They were Democrats eminent in accomplishment and in their party standing. I have no doubt that their supporters thought as highly of their candidates as we thought of ours.

It was in the pre-convention period that support of Franklin D. Roosevelt was of the greatest consequence. Happily, there are no longer factions in our party.

We are all Roosevelt Democrats, and while officially and practically we should not differentiate between those who were for us and those who were against us in the Spring of 1932, I cannot but feel a personal warmth for those who by their early faith in Roosevelt made the great culmination possible.

I do not believe that in our whole history there has been such a manifestation of confidence in the Chief Executive as that exemplified by the manner in which the people of the nation accepted the startling banking expedient.

They took it with a smile. Every inconvenience of that period—and you will well remember how awkward that situation was for a lot of us—was taken with good humor and we even joked each other over our troubles.

It came out all right, as he felt it would. But it was only the people's perfect reliance on his honest intentions and the soundness of his logic that insured against its being a colossal failure.

He had as much faith in the people as they had in him, for you will recall that when he addressed the nation over the radio in one of the simplest as well as one of the most impressive speeches that has ever emanated from the White House, he said:

"We have provided the machinery to insure our financial system. It is up to you to support and make it work. It is your problem no less than it is mine. Together we cannot fail."

And they did support it and made it work with the minimum of individual loss and the maximum of public gain. To emphasize this, I have merely to bring to your attention the circumstance that in the three years preceding last inauguration day we had three or four thousand bank failures and if there has been an important bank failure since that day it has escaped my attention.

There is not time to review in detail the nation's experience in the first year of this Democratic administration,

but I can tell you that there has been nothing done on impulse or because of fright, or because of political purposes.

Every move has been in accordance with the program conceived and worked out before the President took up his immense responsibilities.

If you read over the Democratic platform, to which he subscribed at Chicago, you will see it foreshadowed there. If you will review the campaign speeches in the light of what has happened since, you will understand that we have witnessed no series of opportunist or random performances, but that the President has carried out, and is carrying out, the promises he made when he was asking for election.

It did look for a while as if politics had been adjourned. The President asked for, and obtained, from Congress almost unanimous cooperation in his program. He required additional authority to put into effect some of the emergency measures and these were accorded him ungrudgingly. And he has paid full tribute to this patriotic submersion of politics to patriotism.

Now, however, when things are looking a little brighter, politics is again being brought into the picture, not by the rank and file of the opposition party but by a few of its leaders or would-be leaders who are attempting to pick flaws in the program, to deprecate and minimize the gains that have come to the country under the leadership of President Roosevelt, and to seek to fan the flames of partisanship in the interest of their backers.

There is nothing new about this combination. These men have, during their whole period of public life been engaged in cooking the broth on which their patrons have grown fat.

If you look deep enough you will find behind every attack on the President and his policies a special interest which seeks to reestablish the advantage it held so long by controlling the Government.

Hence they seek to stir up dissatisfaction and to re-instill fear of the future. They offer no substitute program, but by innuendo, if not by direct statement, seek to plant the notion that purging our government system of graft is a bolshevistic assault on legitimate business and that separating the profiteers from their fat opportunities is an assault on business generally.

Let us go back and get a clear perspective of the problems which faced the Roosevelt administration at the outset:

First, it was necessary to establish order in the financial situation; to put an end to the epidemic of bank failures and re-establish confidence in the depositories of the people's money, thereby ending runs that even the soundest banks could not endure;

Second, it was necessary to get the unemployed back to work and to buttress business so that it could survive and function.

To accomplish these objectives it was necessary to recreate purchasing power, particularly the vanishing purchasing power of the farm population and that of the great mass of employees who had either lost all of their

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Reed, Cont'd

by any name, the effect is the same: You lose your forty cents. I do not want to see that happen again. I want the currency kept sound. I want prices to remain within reasonable limits so people can buy the food and clothing they need. I am against stealing the money of the American people in the name of recovery.

Credit—Every day the Federal government is going a little farther into the field of private credit, lending more and more money to people who need it, forgetting that this process is likewise a drug which could easily ruin the country. This policy has operated to dry up credit, to scare capital into leaving the United States in search of more fertile fields of investment elsewhere, and to deprive Americans of work while American capital is used to build factories abroad. But there is an even more sinister aspect of such a policy in the control it gives the government over those who need money and must come to Washington to get it. As an illustration, we all know of the abuses which have grown up in the Home Loan System. In my own state of Pennsylvania the field force of the system is being rapidly replaced. The political appointees who administered these funds originally were lending money to their friends, refusing loans to political opponents, and making unsound loans on fictitious values. That is the danger of allowing politicians to control the machinery of credit. Given control of all credit, it would be possible for any government to perpetuate itself in power indefinitely. I am against that. The Federal Reserve System and the Home Loan System are necessary as reservoirs of credit for those engaged in the lending of money as a business. But they should not function directly in that field, except in emergency. When the emergency passes these functions should cease. I worked and voted for the law creating the Federal Home Loan Bank Board and the Home Owners Loan Corporation, recognizing that there existed at the time a great need for funds for home financing, and that these could not be obtained from any other source. There is still a great opportunity for service in this field. But I have been disappointed in the functioning of the system in the first year of its existence. In the field of farm credit I have said many times and still believe that the system should be simplified, so that the farmer who needs a loan could come to some one central agency and get an answer to his problem, without wasting weeks or months learning where to go.

Government Spending—My alternative for the present policy of spending twice or three times as much as the government receives in revenues is the old-fashioned one of living within our income. I persist in thinking that we can't spend our way to prosperity. No individual has been able to do it and no government can do it. The millions of Americans who have been on the receiving end of the ten billions of dollars of government money spent in the last year or two will not like it, but they must learn eventually that the process cannot continue indefinitely. One of two things will have to happen very shortly: The budget will have to be balanced or we will find ourselves on the toboggan of inflation, starting down a slippery track to a certain crash at the bottom. It isn't too late to turn back. In another year it may be. I am for balancing the budget now. The first lesson that every

schoolboy and schoolgirl should be taught is that the American people themselves pay for the joy rides of their government; *that they are the government* and that spending is always followed by paying the bill.

C. W. A., C. C. C., R. W. D. and Other Relief Measures—A single, simple, permanent policy of work relief, based on the principle of the Civilian Conservation Corps, with military training and discipline added and work projects scrutinized more closely, should be substituted for the policy of handing out money by the millions to states, counties, cities and individuals, without adequate check on results. The idle population of the country must be supported, but those who receive relief funds from the government must, if physically able to do so, render an equivalent service to the community for the relief received. I would exempt all women and children from the operation of this rule. I confine the work-relief policy as outlined to able-bodied men.

For the policy of hiring hundreds of press agents at public expense to put out propaganda defending the New Deal, as is being done at present, I propose as an alternative that the President and his advisers tell the country the simple facts.

For shocking waste of public funds, I propose the alternative of rigid public economy, believing with Thomas Jefferson that to take one penny from the taxpayers unnecessarily is to steal that penny.

For the policy of ruling the life of the individual citizen from Washington, I would as an alternative restore to all Americans the sense of freedom in search of which their ancestors came to these shores. For the fantastic experiments of the past year, many of which have failed when tried by other countries and other civilizations, I propose the alternative of tested truths and common sense.

The application of these alternatives would hasten real recovery. They would set us on the road to a prosperity greater than we have ever known. The failure to apply them already is leading us in the direction of disaster.—*Extracts, see 11, p. 192.*

by Hon. Daniel O. Hastings

U. S. Senator, Delaware, Republican

I **DOUBT** whether the people generally realize that "the 'new deal' involves party management." Some of us Republicans have been bitterly criticised because we have intimated that the "new deal" had any politics at all in it. We have been assured time and again that the "new deal" was solely for the benefit of the country; that it had no politics in it; and that Republicans, therefore, ought whole-heartedly to support it. But now comes along the one man in the administration who speaks with authority and informs us that the "new deal" involves party management. Of course, he might have added that

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Farley, Cont'd

resources or were so stricken by panic that they would not make even the purchases they could afford.

Just how the President and his administration have applied themselves to the solution of these problems and to the accomplishments of these tasks is well known to everyone. There is multiplying evidence that the problems are being solved. From every section of the country there come reports of rapidly improving conditions. Business is being revived everywhere. Agriculture is emerging from gloom and despair. In increasing numbers men and women who have long been idle are finding work. The Government is being operated honestly and in the interest of the people generally.

We are going ahead decreasing unemployment, increasing business, taking care of our unemployed, and holding the regular expenses of the government down to a point unheard of for a dozen years.

There is plenty yet to be done, and with Roosevelt in the White House, you may be sure it is going to be done, uninfluenced by special interests.—*Extracts, see 1, p. 192.*



by Hon. Harold L. Ickes

U. S. Secretary of Interior

I WONDER how many appreciated at the time what was really involved in the last Presidential campaign? On the surface it was more or less a repetition of what we go through with every four years in these United States. Democrats were beating the tom-toms against the Republicans; the "ins" were solemnly advising the voters that to yield the citadel to the "outs" would plunge the country into irretrievable disaster. We had the usual appeal to political loyalty and to party prejudice. The wagging tongue of slander was busy as its wont in whispering scandalous innuendoes. We were assured that grass would grow in the streets of our cities if the Democratic candidate was elected. By one we were told not to change pilots while in rough waters, an adaptation for 1932 of the old Hanna slogan of 1900 "not to change horses in the middle of the stream." By another we were exhorted to join in bringing about "a new deal for the forgotten man."

So little did we realize that underneath the frenzied clash of arms of the contending political hosts a far-reaching and fundamental political revolution was on that many who had unselfishly devoted their lives to the cause of that same "forgotten man" continued to support and to vote for; even if without enthusiasm, the champion of that

ruthless, exploiting individualism that was in the main responsible for the terrible economic situation in which we found ourselves. It would be impossible even to estimate how many millions of voters march to the polls, not to cast their ballots for some one candidate or some one issue, but to register their emphatic protest against some one candidate or some one issue. I imagine that people vote negatively as often as they vote affirmatively. Perhaps oftener. They express their prejudices as readily as their enthusiasms in the polling booth. The result was that while millions of votes were cast for the Democratic candidate because of the love and enthusiasm that people felt for him, it is nevertheless also true that many other millions voted for him because they were disappointed and disillusioned, whether justly or not, with respect to the opposition candidate.

From this distance after the election it is easier to understand its significance. It is clear that whether we intended such a result or not, we are blazing new trails just as surely as our ancestors did when they felt their way cautiously through the untrodden forests in the early days when this country consisted of a thin and easily broken thread along the Atlantic seacoast. A bloodless revolution occurred in this Nation on November 8, 1932. In my judgment we have turned our backs definitely and finally upon an era that history will appraise as at once sordid, ruthless and glorious.

We have learned the bitter lesson since 1929 that we are mutually dependent on each other. We know now that if one considerable section of our population lacks sufficient food and clothing and proper shelter, our whole social structure is impaired and weakened. With the disappearance of the frontier as the result of the eager exploitation of our national domain, with its rich treasures of mines and oil wells and fertile fields and water power and lumber; with our enlarging population, filling every nook and cranny of our vast continental expanse that could be made to yield a fair living; with the crowding of people together in our great cities, the time came, as a matter of course, when it was necessary to modify or even to discard certain social, economic and political concepts appropriate to a pioneer people and boldly face a future which, while it will be and ought to be a continuation and development of our past, will nevertheless, in many vital and essential particulars, be different.

Reduced to its simplest terms, the social revolution of which I have spoken consisted in turning out from the seats of power the representatives of wealth and privilege and exploiting ruthlessness and substituting for them a man whose purpose it is to make this country of ours a better place to live in for the average man and woman. It is not the desire of President Roosevelt, as I understand him, to pull anyone down. It is a passion with him to build people up. But if it is necessary in his process of building up to ward off with his shield the mailed fist of the marauder he will do it.

The real significance of all of these Government undertakings is a social significance. Our Government is no longer a laissez-faire Government, exercising traditional and more or less impersonal powers. There exists in Washington a sense of responsibility for the health, safety

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Hastings, Cont'd

the "new deal" involves Democratic Party management, because no one would suspect that he intended to imply that the "new deal" and party management applied to any other party than the Democratic Party. So that hereafter, whenever the "new deal" is being impressed upon us as being one of the patriotic things that we must whole-heartedly support, I think it very proper to inquire how much that "new deal" enters into Democratic Party management as described by Mr. Farley.

The thing that strikes me as being an extraordinary statement made by the chairman of the Democratic National Committee, the dispenser of the patronage of this administration, and I think I might say the spokesman for the administration upon all political matters, is that 1 year and 17 days after this administration came into power he makes the solemn declaration that "success can only be continued by showing the people that campaign promises must be kept."

I do not know whether by this language Mr. Farley intended to indict the Democratic Party or whether he tried to give the impression that the Democratic Party had kept its platform promises. I think it safe to assume that he did not intend to indict his own party, and that he did intend to give the impression that his party had kept the promises which they had made. If my interpretation of what he intended is correct, I cannot permit that false impression to remain.

Mr. Farley evidently had in mind, when he emphasized the importance of a party keeping its campaign promises, the part of the Democratic platform which says:

"We believe that a party platform is a covenant with the people to be faithfully kept by the party when intrusted with power.

"We advocate an immediate and drastic reduction of governmental expenditures by abolishing useless commissions and offices, consolidating departments and bureaus, and eliminating extravagance, to accomplish a saving of not less than 25 per cent in the cost of Federal Government."

What a high-sounding declaration this is! What a consolation it was to the great mass of voters of this country to know at least that there was an opportunity to elect to office a man who would make a drastic reduction in governmental expenditures by abolishing useless commissions and offices, consolidating departments and bureaus, and eliminating extravagance!

I can understand how patriotic Democrats who knew nothing about it could make this promise and hope that it might be fulfilled. It is difficult, however, to understand how honest Democrats who did know something about it could afford to make such a promise.

Neither of these things, however, is anything like so surprising as to have the all-wise Postmaster General, the chairman of the National Democratic Committee, and chairman of the Democratic Committee of the State of New York, 1 year and 17 days after induction into office, say in a speech to unsuspecting Democrats that a promise like this must be kept. It seems to me that the chairman of the Democratic National Committee ought to keep himself a little better informed, and ought to have read the President's Budget message, in which the President

shocked the country by telling the people that the deficit for 1934 would be more than \$7,309,000,000.

I wish someone had asked him to name the commissions and offices that had been abolished and the departments and bureaus that had been consolidated and the extravagances that had been eliminated; and when he had replied to that question, I wish somebody had asked him if he could name the various bureaus that had been created since March 4, 1933. I am quite certain Mr. Farley could not have answered that question. Indeed, I doubt whether there is a single person in or out of the Congress, or in or out of the administration, who can give an accurate list of all of the bureaus that have been created during that time.

It is true that in the beginning of this administration there was a gesture toward keeping this particular part of the Democratic platform. On March 10, 1933, the President pretty nearly frightened the life out of us all by calling our attention to the fact that the Budget for 1934 would be out of balance by a billion dollars unless we passed the economy act and gave to him the authority to reduce the payments to the veterans, and reduce the salaries of the Federal employees by 15 per cent. Over the protest of some of its members the Senate, by a large vote, gave him that authority. We gave it to him upon the assurance that he would be just to the soldier, and his first Executive order shocked every person who knew anything about the facts with respect to the soldier.

For a time an effort was made to live up to the budget plank by carrying the extraordinary expenses in a separate Budget, but when the President was compelled to face the facts, as he did in the Budget message, he called our attention to the huge deficit for 1934, and expressed the hope that the total indebtedness of the nation might be kept within the limits of the huge sum of \$32,000,000,000.

In the first part of Mr. Farley's speech we discover two things that are new. One is that the "new deal" involves party management, and the second is that Mr. Farley insists that the campaign promises must be kept.

After dealing with these generalities he proceeds to discuss the cancellation of the air-mail contracts. The criticism that has followed the cancellation of the air-mail contracts seems to be the first thing that has distressed Mr. Farley. In this speech he undertakes to justify this action. He refers to great monopolies that have been built up by Government subsidy; that a few favored companies obtained many millions of dollars out of the Public Treasury, and that it became his duty under the law to annul the contracts.

But on the very day which Mr. Farley said that there was no thought or suggestion of politics in the cancellation of the contracts and that he did not know whether they were Republicans or Democrats involved, the majority leader, the distinguished Senator from Arkansas, Mr. Robinson, was making a speech in which he undertook to demonstrate that at least one of these companies was a strong political factor in Pennsylvania and was controlled by the Mellon family. The present administration came into power March 4, 1933. It appears that this very administration was coming to Congress as late as

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and well-being of the people. One of President Roosevelt's first announcements was that the Government would not permit its citizens to starve. And he has kept the faith. The Federal Government has not only poured out its treasures to provide food, clothing and shelter for the unemployed, it has sought in every way possible to restore the morale of the people and to reestablish our social order upon a sounder and more durable foundation.

Under the authority granted by the National Recovery Act, the Government, in effect, is saying to business and industry "cooperate voluntarily if you can, but cooperate you must. You must restrain yourselves for the common good. You must fit into your proper place in the new social order. You must serve and no longer selfishly dominate." A far cry this from "rugged individualism."

This movement is pregnant with tremendous social, economic and political possibilities. For years an effort was made in this country to abolish child labor. The Congress has adopted a resolution for a Constitutional amendment but the States have so far failed to ratify it, although happily, they are now gradually falling into line. The situation was discouraging. Then on July 9, 1933, President Roosevelt, in affixing his signature to the Textile Code, the first of these new industrial charters to be signed under the National Recovery Act, by a simple stroke of the pen abolished child labor in the United States at least temporarily. This blot on our civilization has for the time been wiped out and other social injustices and abuses will follow, if not under the codes, then as the result of future legislation. The sweatshop will be outlawed. Noisome slums will be cleared. Shorter hours and minimum wages for labor have already been written into the codes. Unemployment insurance and old-age pensions in their turn will give a feeling of security to those temporarily out of work or nearing the time when their ability to work effectively will be gone.

In addition to providing machinery for setting up and administering codes of fair competition the National Industrial Recovery Act set aside the sum of \$3,300,000,000 for a Public Works program. Here was the greatest sum of money ever appropriated by any government for such a purpose in the history of the world. The administration of this vast sum of money was necessarily entrusted to men who had had neither experience nor precedent to guide them. We did not even have the nucleus of an organization. Yet time was of the essence. Congress had provided this money in order that it might be put to work as speedily as possible to prime the pump of industrial recovery. It was necessary to go out into all parts of the country to seek for engineers, lawyers, accountants and financial experts to be thrown together overnight into a functioning organization. But we did it.

In carrying out this Public Works program the Government is once more acting as a social agency and not merely as a tax-collector, a policeman or an arbitrator. People were out of work; they were cold; they were hungry; they were rapidly losing their morale. Recognizing its responsibility as a Government of the people and for the people, the Administration lost no time in quibbling over technicalities or worrying about precedents. An acute problem had to be solved. A social crisis must be

met. President Roosevelt, recognizing his grave responsibility, met this crisis. He turned over hundreds of millions of dollars to the brilliant and able Federal Relief Administrator, Harry L. Hopkins, with instructions to put men back to work instead of carrying them on relief rolls. The effect of this bold stroke on the morale of the country has been marvelous.

While applying immediate social remedies, this Administration has not been blind to the necessity of long-range planning. One of the most significant developments of the Public Works program is the National Planning Board which was organized and is functioning as part of the Public Works Administration. Heretofore America has just grown. It has followed no matured plan because no one has ever thought that a plan was necessary or, if he has thought so, he has been too busy to do anything about it. With the vanishing of the physical frontier the necessity of a rational national plan has become more and more apparent. It was left to the Administration of President Roosevelt to adopt for the first time as a national policy the theory that the country as a whole ought to be developed and used for the greatest good of the greatest number, and that we cannot develop and use it in that manner unless we have thoroughly and intelligently studied the entire country.

We hope to demonstrate through actual slum clearance projects in a dozen or more cities what decent housing at a minimum rental will mean for those cities in the way of improved morale, of healthier living, of abatement in delinquency. We believe that while it may be a requirement of modern industrial life that large masses of people live together in close proximity, it is not necessary that they should live crowded together indecently in filthy tenements where even light and air are lacking.

One of the noteworthy facts about this Administration is that it does not sit about indulging in day dreams. It does not indolently play with the idea that there is a certain thing that might, could or should be done. When the idea has been tested and found to be one which if reduced to reality will make for the greater happiness and well-being of the people the Administration immediately sets about to give it effect. President Roosevelt does not run away from an idea merely because it is a new one. He is, thank God, not one of those men who thinks that a thing cannot be done because it never has been done. He makes precedent serve him instead of himself serving precedent. He has imagination, but imagination alone will not save us in the extremity in which we find ourselves. He has courage, but something besides courage is needed. In addition to his imagination and his courage he has a practical mind. He is soundly wise. While he does not withhold his hand from doing what he thinks ought to be done for the benefit of the country through fear of failure he is neither reckless nor foolhardy. He always teams up with his imagination and courage a native and inherited caution.—*Extracts, see 2, p. 192.*

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December 14, 1933, urging that a million dollars be added to the appropriation in order that they might properly take care of the Air Mail Service; yet, Mr. Farley, in order to justify what he knows he cannot justify with the American people, namely, the cancellation of these contracts, undertakes to make his audience believe that this country has lost great sums of money because of the huge appropriations for the Air Mail Service. At the same time his very assistants were appearing before Congress as late as December 14, 1933, urging that a million dollars be added to the appropriation.

Mr. Farley says there is no politics in it, but I will state what was happening. It was desired to add to the prestige of the "new deal." It had been developed during the investigation that somebody, for some reason, destroyed some papers or had hidden them where the committee could not get possession of them. What happens to the public mind when it is intimated that someone has destroyed papers which some governmental authority wants? It occurs to the mind of every reasonable person that there was some ulterior motive in the destruction; it appears to every person, who thinks about it, that there must have been something in those papers which would convict someone of some kind of a crime or some kind of a fraud, and that that is the reason the papers were destroyed. We brought the individuals before a Senate committee, and we had a proceeding in the form of a trial. The people of the whole country were exercised about it; they were very much interested as to what was going to happen. Their attention centered upon the air-mail contracts. "Ah," those in authority said, "this is the time to clinch it and to do one more great thing of which the people of the country will approve by cancelling, not the contracts that are under suspicion, but cancelling them all, so that it will be said that in order to punish the rich, in order to punish those who had made profits out of Government contracts the 'new dealers' wiped out the whole system and started anew. That will show to the people of the nation how anxious the 'new dealers' are to take care of the taxes and expenditures of the Government."

They went a step too far and they stepped a little too fast. I do not care how much it may be argued here as to whether there was fraud or whether there was not fraud. It is undoubtedly true that in the minds of some, fraud has been established, and it is just as certain that in the minds of many others, and in the judgment of a majority of the people of this country, there was no fraud. But, after all, that is not what we are complaining about; that is not the issue. We cannot ever get away from this one act that the present administration has done for which it will be condemned as long as it exists, and that is it cancelled contracts made with individuals or corporations in this country without giving them an opportunity to be heard. That is what the American people are complaining about today, and that is the charge from which the party in power cannot escape.

The way to hear a contractor, and the way to give a man his rights before his contract is cancelled, is for the Postmaster General to serve notice upon him that the contract which he now enjoys has had some suspicion of fraud thrown around it and that the contractor therefore is requested to appear before the Postmaster General at a

certain fixed time, with counsel, if he so desires, in order to hear the charges that are being made against him. That is the American way of proceeding, and not through some special committee such as that which the Senator from Alabama heads and which was created for an entirely different purpose.

These contractors were dealing with the United States Government, which they cannot sue without the consent of the Government. It is the duty of the Government to be careful about repudiating its contract, because the persons holding those contracts are not in the same position as the ordinary contracting person; in other words, they cannot go to court as readily as the other persons. For that reason the Government ought to be exceedingly careful.

It seems to me this administration is composed of two distinct kinds of people, people having two distinct philosophies. One is commonly called the "brain trust," and is largely responsible for a lot of the new ideas that we are now experiencing. The other is of the type of Mr. Farley, who represents the political end of it. I submit that no country can be in a more dangerous condition than to have men like the "brain trust" urging new experiments on the one side, and trained politicians on the other side, combining the two to get a hold upon the country which they expect not to be shaken off for generations to come.—
Extracts, see 4, p. 192.

by Hon. William E. Borah

U. S. Senator, Idaho, Republican

It is my contention that at the present time millions of dollars are being extorted from the pockets of the masses, from the common people of this country, in prices which are fixed by combines and trusts and monopolies, notwithstanding the provisions of the code. I will cite a few illustrations which will disclose that I am well within the terms of modesty when I say that millions are being extorted from the people of this country. I do not believe, as has been suggested somewhere, that this extortion takes place by connivance of the code, or in accordance with the terms of the code. I believe this extortion takes place in defiance of the spirit of the code, and in defiance of the terms of the code. We will never be able to bring about a different condition until we have a greater and stronger power back of the code; that is, the power to punish for the doing of such things.

The rules which are established by the N.R.A. codes, in a large measure by the big interests, are such as to drive out of business, or drive from the field, thousands and thousands of small business men. Since last October, when I made some remarks upon this subject, I have received a little over 9,000 letters from small business men of the country, giving instances of how the code was

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by General Hugh S. Johnson

Administrator, N. R. A.

THE friends of N.R.A. outnumber its enemies by many thousands to one. But the few enemies have certain advantages. They are wealthy, powerful, and they do not scatter their shot. They all want just one thing, and they know exactly what they want—to scuttle the whole Recovery Program, make the Blue Eagle walk the plank, hoist the jolly Roger on the Ship of State, and sail back to the good old piracy that brought the crash of 1929 and all that has happened since.

With the numerical odds so hopelessly against them—with the wreckage created by their leadership still smoking, there is a temptation to ignore them. But there is one way in which they might succeed—the old Napoleonic strategy of “Divide and Conquer”—split the friends of Recovery into small quarreling groups and then absorb each one in detail.

You cannot enforce a law like N.R.A. with penalties and policemen. N.R.A. can succeed only if a very great majority of the people and of business not only want it, but actively support it. Therefore it is necessary for it to be understood. You have to have some such symbol as the Blue Eagle, through which its friends can act continuously and vigilantly in their own interest. The government refuses to buy except under the Blue Eagle. Most of our people refuse to buy except under the Blue Eagle, and one Blue Eagle industry can refuse to buy from any industry which is not also under the Blue Eagle. That device is effective enough to secure the benefits of the law to business, labor, and the people, and I venture to say that it is the first time in our history that a federal statute for the people's benefit was ever so completely put up to the people themselves. If they fail, it fails, and, unless they can act together under the Blue Eagle, *they will fail*.

Now the few shrewd, designing leaders of the enemy minority know all this. It forms the basis of their strategy to “divide and conquer.” They don't like the Blue Eagle and the reason is that it gives the people of the United States a little control over their own affairs. The essence of their political faith has always been that the people must take what these enemy leaders (through domination of government) choose to give them. The essence of the President's Recovery Program is the exact reverse of that. There is not enough room in the whole country for these two policies to live together and side-by-side. The methods of these leaders almost wrecked our economic structure and the issue now comes to this: Either they will take back their ancient, piratical privilege of doling out what they please of our resources and opportunities to our people, or our people will keep the method of that distribution in their own hands. Our people cannot keep control if these old Tories can find a way to force the vast mass of beneficiaries of N.R.A. apart by playing upon the discontent of separate groups.

Right here is your greatest danger. If we are to rely upon a whole people to support a law, that law must please nearly all of them. No law can do that completely.

With every benefit in life there come burdens. That is so of the Recovery Program and especially so of N.R.A. Everybody likes the benefits of N.R.A.—nobody likes its burdens—and therein lies the chance of the enemy to “divide and conquer.” Unless the friends and beneficiaries of N.R.A. are willing to maintain a compact front by taking the bitter with the sweet, they are risking all that they have gained under the Recovery Program.

There is not one of the 400 industries under Codes which would willingly give up its Code and go back to the Old Deal. Labor would not like to surrender its position under the Law. Except at the very scheming heart of the partisan enemy leadership, not even enemy spokesmen even suggest abolition of N.R.A. and the Codes. But, (alas!) here the great national concert of purpose falters. Codified industry, organized labor, farmers and consumers all sing the same song in varying words: “Keep N.R.A. but cut out its objectionable features”; “Keep the Codes but cut out their restrictions”; “Keep Section 7-a of the Act, but impose no responsibility on labor.”

N.R.A. has been the first to insist on continuous improvement in its first tentative steps. Any man who for a moment could expect within a few months practically to reorganize the greatest industrial unit in time or space and not make mistakes expects a miracle. But the way to cure faults in the Codes is not by Statute, not through the Courts but through N.R.A. itself. This is because, under the law, if N.R.A. makes a mistake the President can and will change it within 24 hours. The other methods take months and years. But these complaints do not mean the same thing when spoken by any two particular groups. In nearly every case “objectionable features,” “restrictions,” et cetera all simply mean “burdens” and the “ogans all reduce to the same old songs: “Roses without thorns” and “Something for nothing.” Of course that is impossible. The best we can do is to balance burdens and benefits equably so that the net result is good. That is the job of N.R.A. and it will continue to try to do that job.

There has been more than the ordinary hue and cry recently about regimentation, and as usual, the criers have left the dictionary in the rack in their efforts to fasten a sinister significance to the words. If you would believe all the delicate, and some of the indelicate, implications, the whole staff of the N.R.A. is sitting up nights devising new and ingenious ways for compelling reluctant industrialists to come to Washington and try on the latest model economic strait-jackets.

As a matter of fact the N.R.A. has spent a large part of its time preventing an industrial O.G.P.U. Representatives of industry have swamped the deputies with pet plans for contrition and restriction, for conscription and limitation. The halls of the Commerce Building have resounded with the demands of owners and managers that the government police their business. Sometimes these demands get translated into code provisions, but only after the waste baskets have been filled with unsound proposals and the N.R.A. officials have been worn down by the industrial advocates.

Experience has shown that the chief dangers to N.R.A. are the reluctance of benefited groups to assume bur-

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either embarrassing them or driving them out of business. And there, again, I say that I see no possible way to protect the small business man unless the antitrust laws are restored. It might be possible—I do not know; it does not seem to me practical or possible—to make a code for small business men, as you might call them, or business of certain dimensions in business, or a certain extent of business, and a code for the larger business. That does not seem to me to be practical. I see no other way by which we can approach the question except that we restore the antitrust laws and enforce them. The small business men cannot fight successfully these combines if the Government is to step aside and place no restraint upon their economic power. Small business is entitled to the enforcement of the laws of the land, designed and passed with the view of protecting society against these rapacious economic forces.

Nowhere has the power to fix prices, and its effect, been better illustrated than with reference to the agricultural interests of the country. A vast amount has been expended for the purpose of restoring agriculture, of bringing back the price of commodities upon the farm. Not only have vast sums been expended but most extraordinary measures have been adopted. Acreage has been reduced, livestock has been destroyed, in the hope of restoring the price of commodities to the American farmer. There has been some increase to the advantage of the American farmer, particularly in some commodities, but I make the assertion, without fear of successful contradiction, that when we take into consideration the price—the increased price you may call it—which the farmer is receiving for his commodity, and the increased and extraordinary price which he is paying for the things which he must use, he is no better off than he was before the price raise took place. He is paying for the things which he must have in excess of the price which he receives.

There again, this inhibition of combines for the purpose of fixing prices, which was stricken out when the recovery bill passed through the Congress, tells the tale of why it is that notwithstanding some advantage has come to the farmer, he is in fact no better off than he was.

The price of everything, from overalls to gasoline, has gone up all the way from 67 to 120 per cent, and so long as present conditions exist, so long as men engaged in industry have the power to sit about a table and fix prices, they will continue to raise their prices in order to keep a little ahead of the rise in the prices of commodities. If the price of the farmer's product advances, those who sell to the farmers may over night increase the price of that which they have to sell to them; and combines, trusts, and monopolies, operating under the wings of the eagle, effectuate their purposes more successfully than they could if they did not have the apparent protection of the Government.

There is scarcely an article which the farmer buys that is not under the control of some combination, some trust, or monopoly. There may be cited, for instance, the extraordinary rise in the price of farm implements, of gasoline, and other things which the farmer must buy to use upon the farm, all of which are controlled, either directly

or indirectly, by combines which may operate in spite of the codes so long as the antitrust law is suspended.

Regardless of the extent to which acreage may be curtailed, and regardless of the destruction of animals upon the farm, there is no possibility of the farmer meeting his taxes, meeting his interest, or meeting his mortgage if the price of the things which he must buy continues to rise in that proportion.

I ask by what or whose authority were these prices increased? Will it be contended that the codes authorized the increase? Will it be contended that the National Industrial Recovery Act connives at that increase? In my opinion, the increase arises out of the fact that we took the reins off when we passed this law and permitted the combines and trusts to have their own way with reference to fixing prices. We have got to do one of two things: If we are going to protect the consumers of this country, we must either restore the antitrust laws and enforce them or the Government must go all the way and itself fix prices. There is no other way of which I can conceive by which to protect the consumer.—*Extracts, see 12, p. 192.*

by Hon. Bertrand H. Snell, N. Y.

Republican Leader, U. S. House of Representatives

At the beginning of this session of Congress I made certain statements in behalf of the Republican minority in the House of Representatives. I invite attention to the policy of the minority as then outlined. It has been observed to the letter in the eventful session now approaching its end:

We declared that we would gladly cooperate with the administration in restoring prosperity and would support any policies that would contribute to the common welfare, without regard to the political fortunes of either party.

At the same time, we declared that we would oppose any policies which were destructive of our form of government, or alien to the basic ideals of the American people, or economically unsound, or as threatening the Nation with fiscal bankruptcy, and that we would hold the administration responsible at the bar of public opinion for promoting such policies.

The Republican minority has been faithful to that pledge. It has voted for sound legislation calculated to hasten recovery. It has stoutly opposed unsound, un-American legislation.

The record of this Congress will be submitted to the verdict of public opinion; I urge all citizens to study it. I court a rigid scrutiny of the position taken by representatives of the Republican Party on all the questions that have arisen.

It will be found that the Republican Party as represented in Congress, has sought to defend this Nation against the forces of disintegration. It has championed the per-

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dens with benefits, the possibility of loss of necessary solidarity through the aid thus given enemies, to use group discontents, to destroy in detail what they would not even have dared to attack on a solid front.

They have begun already with the almost ridiculous slogans: "The whole Recovery Program is actually retarding Recovery." "Take off the brakes," etc. Well, what does "Take off the brakes" mean? It means "Back to 1928." It means "Let us alone."

It is being said now that the program is deliberately being weakened by the administration in answer to these attacks. It is not being weakened. Nobody can speak for the President but I can speak of him. What is happening is that the true outline of Franklin Roosevelt's moderate, common-sense and deliberate plan is being made clear by experience. Don't let that fall on deaf ears.

The pressure upon N.R.A. from both management and labor to veer to this side or that of the principles originally laid down is becoming stronger as these groups become stronger under the benefits of the whole Recovery Program. Those principles were to provide exact justice between these two groups by executing the law exactly as it is written. Those principles have not been changed and will not be changed. We have not departed from the President's original Declaration of policy delivered on June 16, 1933 and we shall not depart from it for all the sloganeers in the enemy camp.

Before any of the groups here discussed allow themselves (unwittingly and because of their unwillingness to accept burdens with benefits) to be drawn into support of such slogans as these, it will be well for them to ask what they would go back to if they permitted the Recovery Program to be scrapped. It is not necessary to guess about it. It is only necessary to recall what these leaders stood for when they controlled the government.

1. They permitted child labor and they resisted change.
2. They had a system which exploited agriculture to the verge of ruin for the benefit of certain industries or industrial areas and with cynical indifference, they refused relief to farmers but did feed their hogs.
3. They successfully prevented labor organization and collective bargaining on any but a limited front and they almost succeeded in destroying that.
4. They permitted banking to become a racket and omitted to do anything to make the people's savings safe from the rapacity of the trustees of these funds.
5. They permitted the Stock and other Exchanges to operate like gaming tables and never turned a hand to warn our people that investments there were like bets against the turn of loaded dice.
6. They permitted the bond market (which should have been a very holy of holies of investment security) to become a sort of glorified casino with all percentages in favor of the dealer and, in loans to bankrupt countries, they actually invited economic innocents to the slaughter as a means of sustaining prosperity.
7. They made never a move to maintain wages, to preserve the purchasing power of wages, or to adjust employment to available work by shortening hours to the end of preserving jobs.

8. They flatly denied responsibility of government to relieve human suffering in the day of economic disaster.

9. They discouraged every move toward old age, or unemployment, or disability relief.

10. They permitted corporations—especially in the utility fields—to turn words into capital stock and to sell it to people at values which could earn only at rates and charges out of all proportion to the service rendered.

11. They omitted to interfere in competitive practices which would only result in eventual monopoly, present starvation wages, unconscionable hours of labor, and constantly increasing unemployment. And they preserved without change the archaic Anti-Trust Laws under which these destructive practices were actually fostered.

12. They insisted on a monetary and debtor system which made dollars so dear and relief so difficult that the mountains of debts incurred under that system threatened to enslave the whole people.

That is what these Old Dealers want to go back to and that is what the beneficiaries of the New Deal will aid them to get, if we do not bear the minor burdens imposed, for the sake of the greater benefits received.

Let's live up scrupulously to the obligations of the law, the codes, and the agreements. If they are wrong—and some of them are wrong—we promise to change them promptly and justly. Let's aggressively and faithfully support the Blue Eagle. Let's accept our rights moderately and our burdens fairly. Let's play the game. Let's do our part. Above all, for God's sake, let's not go back.—*Extracts, see 3, p. 192.*

by John Dickinson

U. S. Assistant Secretary of Commerce

UNLESS we grasp it at the outset, we are almost certain not only to fail to understand the recovery program, but actually to misunderstand it. The Administration's program must be viewed as a whole, because it rests on the assumption that our national life is an integrated process, no part of which can be dealt with successfully without at the same time dealing with other parts. We cannot deal separately with agriculture, banks, money credit, industry, without having our efforts go largely for naught, and having the ground we gain in one quarter slip away in another. We have reached the point where we must deal with the system as a system.

It is from looking at certain parts of the recovery program in isolation, without relating them to the program as a whole, that most of the misunderstandings spring which give rise to what little criticism there is of the program. I should like to clear away some of these misunderstandings at the outset, and three of them in particular: first, the misconception that in some way or other

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sional liberties of the individual as guaranteed by the Constitution. It has defended the cause of honestly conducted business and has opposed unwarranted interference of government with such business. It has fought for the integrity of our currency and for national solvency through honest balancing of an honest budget. It has supported generous relief of destitution and full assistance to all agencies of recovery; but it has opposed extravagant appropriation of public money and reckless expenditure of appropriations which were made.

Notwithstanding the great confusion resulting from unprecedented conditions and the astounding assortment of contradictory legislation proposed by the administration, the Republican Party has kept to the clear path of constitutional government and sound economic policies. It has refused to plunge blindly ahead in search of imaginary short cuts to the millennium. It has preferred the wisdom and safety of experience to the hazards of experimentation.

We are opposed to any further tinkering with the currency. It must be stabilized on an honest basis for the protection of the individual and the honor of our Government. Those who go into the market places must know not only what our dollar is worth today but what it will be worth a month, a year, or 5 years from today. Ordinary business contracts cannot be made or long-time investments planned so long as there is continual experimentation with the circulating medium of exchange.

As a corollary to this, we must have a solvent Government. Promises upon the part of this administration to balance the Budget must begin to be fulfilled, instead of the time of their redemption being still further postponed. That cannot be if there is a continuation of public expenditures on the present vast scale. Such expenditures only create demand for still greater ones.

The present expenditures were authorized upon the plea of an emergency, to tide over public and private business until the backbone of the depression could be broken and business and industry had time to recuperate. The period of emergency is over. Private enterprise is now ready to go ahead. Nothing is retarding it except the harassing laws enacted by this administration and the even greater harassment incident to their administration by an army of bureaucrats.

A great contributing cause to the retardment of recovery is the growing competition by the Government with private industry. Officers of this administration have taken out articles of incorporation in several States authorizing them, in their capacity as representatives of the Federal Government and using Federal funds, to enter into practically every known field of private enterprise—manufacturing, fabricating, the real-estate business, the building trades, wholesaling, and retailing of merchandise of all kinds.

No real or prospective investor has any certainty that tomorrow he may not find himself engaged in a losing fight with some Federal bureau incorporated to invade his particular line of activity and operating with Federal funds. The business of the people of the United States belongs to them and not to the Government, except and unless we are ready to embark upon a career of state

socialism. To transfer millions of men now idle to permanent pay rolls in productive industry and business it is essential the Government withdraw from private business. The Republican minority will stand against voting any further appropriations to finance this unwarranted intrusion into the field of private endeavor.

We also stand steadfast against any attempt to make the various emergency measures and set-ups permanent. The Republican minority gave unanimous support to these extraordinary measures a year ago because they were designed to meet the extraordinary needs of the hour. Moreover, the administration in asking the passage of these measures pledged its honor they were only emergency measures. Since that time the public has been informed that it is the intent of this administration to make this emergency legislation permanent.

To do this would make permanent the vast system of bureaucracy which has been set up to administer these laws. It would make permanent increased expenditures of billions of dollars annually. To support such a program the Republican minority would not only be breaking faith with the people but it would be contributing to the overthrow, not only of our present economic system but our constitutional form of government. To that program we will not subscribe.

The Republican Party is not willing to assist in wrecking the economic system upon which our country is erected, by reason of which we have developed as a nation and prospered as a people to a degree not equaled by any other people of any other time or place. We do not admit that a Federal bureaucracy can excel the people in the wise direction of their own affairs. As between bureaucrats who never created an industry or developed one; met a pay roll or created productive employment for a single wage earner; built up a business in the face of competition in the marts of the world or risked a dollar of their own money in pioneering an idea; plowed a furrow, planted a crop, or reaped a harvest, and those of our private citizens who have done all this, and done it so successfully that they have made America the outstanding Nation of the world, the Republican minority takes its stand by the side of the private citizen.

Dangerous as is the threat of the "new deal's" philosophy and policies to America's economic structure and the material welfare of our people, the threat it carries to America's political institutions and the liberties of our citizens is even more dangerous. For the first time in our history an administration in power at Washington has challenged our form of government and those occupying high official and advisory positions in this administration are making a concerted and persistent attack upon American ideals and institutions.

When, in answer to an appeal of this administration, the American Congress vested extraordinary powers in the Chief Executive to meet an emergency, it expected and the American people expected there would be no transgression of the fundamental principles of our Government. The American people were faithful to the American Constitution and they expected the administration to be just as faithful.

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the program embodies an "anti-industrial complex"; secondly, that it regiments industry and saps individual initiative; and, thirdly, that it sacrifices the interest of the consumer. At least two of these charges would seem to be inconsistent with the third; but they represent, apparently, the incipient nuclei about which criticism of the Administration seems likely to crystallize.

The suggestion that the Administration's program embodies an anti-industrial complex and is colored by hostility to business results from picking out certain specific parts of the program and viewing them from a distorted angle. These are: first, the use of the National Recovery Act for the purpose of maintaining or increasing wages; second, the effort to relieve the debt burden by promoting an increase in the price level; third, the policy of increasing the purchasing power of the farmer; and fourth, the program of public works. It is suggested that all of these measures result in diminishing the share of the national income which has in the past been going, and would otherwise go, to the business man or investor, and that the program is accordingly directed against the interest of these classes in the community for the special advantage of other, more favored classes, especially labor and the farmer.

I suggest that such inference can only result from viewing the interests of business and of business men in isolation and apart from the interests of the community and from the nature of the economic process as it functions in the industrial civilization in which we are living. Let us take the interest of the business man and see how it is related to the policy of increasing wages, increasing the farmer's purchasing power, and alleviating the debt burden. Are we simply to say that if wages are not increased the business man will make more profit, and that therefore to increase wages is to strike a blow at his interests? Are we simply to say that to increase the price of agricultural commodities is to increase the price of raw materials and thus once again to diminish the business man's profits? Are we to say that an attempt to relieve the debt burden tends to decrease the value of the investments in which business men have salted away their profits?

All these things are true in a sense. Do they, however, represent the full truth, or the whole truth, as to the relation between the business man's interests and the recovery policies under consideration? Increased wages, for example, represent a decrease in profits if we assume, but only if we assume, an equal sales volume when wages are low as when they are high. Increased prices to the farmer for raw materials represent decreased profits only on the same assumption. Can we make the assumption in question if we squarely and honestly face the facts of our national economic system as we have been made familiar with those facts during the years of the depression? Wages fell to very low levels during the past four years, and were continuing to fall. Did that fact result in increasing profits? The prices of farm products fell to very low levels during the same period. Was there any consequential boom in the industries using farm products as raw materials?

The answer is of course no, and the reason is obvious. It is that wages and farmers' income supply, under cur-

rent economic conditions, the greatest part of the effective demand for the products of the industry. We cannot assume that the business man can go on selling goods and making profits while wages continue to fall and while farm income continues to decline. It is only at the price of paying the farmer more for raw materials and paying his laborers more as wages that the manufacturer can make the volume of sales which is indispensable if he is to make any profit at all. We are not taking profits away from him by increasing his costs. We are simply attempting to reestablish the conditions which make profits possible. Only if we leave half of the picture out of account can we regard the recovery program as an attack on profits.

The same thing is true of the effort to alleviate the debt burden. This can be regarded as an attack on the value of investments only if we assume that investments would otherwise maintain their value. Every creditor knows that there are times when he can preserve more of the value of the debt owing to him by scaling it down somewhat than by insisting on his full pound of flesh. An effort to raise the price level in order to restore the economic activity of the community is not in itself an attack on the investing class.

Let me turn now to the second misconception which I have mentioned, namely, that the recovery program regiments industry and saps individual initiative. This again results, I submit, from failing to envisage the economic process as a whole as it is now organized in this country. It results from looking at regulation as a purely bilateral matter between Government on the one hand and the individual on the other, to be decided in terms of the right of the particular individual to do the thing from which Government is seeking to restrain him.

In short, in order properly to approach the problem of regulation, we must look at individuals as linked together, as they are, by the economic processes within which they function. Those of their acts which have a bearing on the economic well-being of all who are enmeshed in the process cannot always be left to purely private determination, any more than each separate musician in an orchestra can be left to play in his own way without the leadership and guidance of a conductor.

If in this way regulation is conceived in terms of the whole economic problem, the argument that it saps individual initiative will, I believe, fall to the ground. Individual initiative always has operated and always must operate within the limits of a system of arrangements designed to maintain and protect the social processes of the time. Properly planned regulation touches those activities, and only those, which link the individual into these indispensable social processes. Today our economic system is such that wages and prices and credit must be interrelated in particular ways if the processes upon which our industrial society depends for its subsistence are to go on. They can no longer safely be left in the field of purely private determination, any more than in an automobile age street traffic can be left to the arbitrary judgment of individual drivers. Plenty of room for individual initiative is left, but at some points it must be diverted into new channels.

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No economic emergency could possibly equal the emergency created by an attempt to foist upon this country a system of government which will exercise the powers of life or death over not only all agricultural, industrial, and business operations, but over the liberties and fortunes of American citizens.

The political philosophy of this administration is that nothing must be left to the individual citizen. His freedom of action is to be denied. His individual judgment is to be suspended. He is to be brought under the dictatorship of a Federal bureau and regimented by Federal officers.

This constitutes not only a denial of the citizen's economic rights but a denial of those political liberties which are guaranteed him in our Constitution. The Republican Party stands where it has always stood, for a constitutional government. It holds the powers of our Government under our Constitution are sufficient to cope with any emergency. It holds that where these powers are usurped either by a dictator or by a bureaucracy, they thrust upon the American people an issue which must be met if the form of this Government is to continue as it has existed since its establishment.

This issue may be met squarely by applying the philosophy of one of our earliest Americans, Thomas Jefferson, who said: "I am not one of those who fear the people. I know of no safe depository of the ultimate powers of society but the people themselves. I would rather be exposed to the inconveniences attending too much liberty than those attending too small a degree of it."—*Extracts, see 6, p. 192.*

by Ogden L. Mills

Former U. S. Secretary of Treasury

I BELIEVE that disguised in the New Deal are measures not intended primarily to be either recovery measures or of a temporary character, but constituting definite steps in a major program looking to the ultimate setting up of a system of economic planning by the government on a nation-wide scale, accompanied by control of industry and the regimentation of the American people. A study of the writings and speeches of the most influential group in the administration, together with the events that have taken place since the fourth of March, 1933, present an almost conclusive case.

The time has come to present the issue fairly and squarely to the American people and to let them decide whether they desire to sanction a program which inevitably means revolutionary changes in our government, institutions and civilization. The people are entitled to have the issue sharply drawn. They are entitled to complete candor from both sides.

There must be no repetition of the 1932 campaign, when the Democratic party made certain specific pledges, prac-

tically all of which have since been repudiated, while the true purposes of the present administration were concealed in obscure and equivocal language.

The truth is that, involving as it does government control of industry and of the economic life of the nation and the regimentation of its citizens, the New Deal conflicts with fundamental principles upon which our government is founded, and to the extent that its philosophy overrides or supplants them the process is a revolutionary one. We are not gradually modifying what we have. We are turning to something totally different.

That's why the historian of the New Deal calls his book "The Roosevelt Revolution." That's why Mr. Donald Richberg proclaims: "The long-discussed revolution is actually under way in the United States. There is no need to prophesy. It is here. It is in process."

This is the truth. It is equally true that this revolutionary process must end in the destruction of individual liberty, for individual liberty cannot long survive the death of economic freedom.

It's not a question of "laissez-faire." Even Professor Tugwell admits this. We are pledged to maintain equality of opportunity for all. Individual freedom does not imply its use either at the expense of the rights of others or of the community. Our system of individual initiative and control is subject to regulation by government, as witness the Interstate Commerce Act, the Food and Drug Act, the Banking Laws, the Sherman and Clayton acts, the existence of the Federal Trade Commission, innumerable State regulatory statutes and the recent decisions of the Supreme Court in the Minnesota mortgage case and the New York milk case.

Nor is there any difference in legitimate objectives, immediate and ultimate.

We are all prepared to support proper emergency measures calculated to promote recovery. We all recognize that our policies must be directed to bring greater security and a more widespread well-being among the great mass of the American people and that high standard of living which their resources, their industry and their intelligence entitle them to. We all recognize the need of finding a permanent solution for our two major problems: unemployment and agriculture. We all recognize the necessity of eliminating the abuses and weaknesses that have been disclosed. The Republican party, if it is to survive, must be prepared to present a definite program to meet these issues. I am confident that it can and will.

It's not a question of aims and ideals but of method and of philosophy of government. On the one hand a planned and controlled economy inevitably means the end of individual freedom.

On the other hand, we can preserve the right of the individual to be the master of his destiny. This is the soul and spirit of American institutions. Our people have ever held that liberty is essential both to individual happiness and to social and economic development; that no man can be happy unless he be given full opportunity to develop his aptitudes and talents as he deems best; and that no nation can achieve a full measure of progress and prosperity save under a system which gives the greatest pos-

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Dickinson, Cont'd

This emphasis upon business initiative, business responsibility and business self-government has no doubt led to the third misconception to which I have referred, namely, that the Administration is sacrificing the interests of the consuming public to business selfishness. This charge is of course directly inconsistent with the other charge which I have already mentioned, namely, that the Administration's program is hostile to business and based upon an anti-business complex. It again results from a partial and incomplete view of the recovery program, which singles out and emphasizes certain elements of that program without relating them to the program as a whole.

It is quite true that under the Recovery Act the Government is not only permitting but actually encouraging the competitors in an industry to get together and take concerted action, so as to limit in certain respects the scope of their competition. It is encouraging them to eliminate practices which in many instances had the effect of depressing prices. The elimination of these practices will no doubt result often in price increases, which will be borne by the consumer. It is accordingly concluded that the program is an attack upon the interests of the consumer. I submit that this is precisely the same kind of conclusion as the inference, which I have already discussed, that an increase in labor costs is an attack upon the interest of the employer. It rests upon taking an isolated view of the interest of a particular individual consumer in buying at a low price in a particular transaction, rather than upon viewing the interests of consumers as a class in relation to the whole national industrial process.

Is it true that the interest of consumers consists simply in bringing prices down to the lowest possible level? Does such a statement represent the full truth or the whole truth? Low prices represent an advantage to the consumer only on the assumption that the consumer has as much money to spend in buying at low prices as in buying at high. If when prices are low he has a greatly decreased income, it may well result that actually he cannot buy as much as he could buy at higher prices with a larger income.

The assumption that with prices at the lowest possible figure the consumer will have as much money to spend as when prices are higher is not necessarily or probably true if we regard the national economic process as a whole. The consumer inevitably derives his income from the processes of production, either as wage earner, investor, or entrepreneur. If prices are low because of a general paralysis of business activity or because of cutthroat competitive practices which depress wages and destroy profits, the consumer gets no real benefit from such low prices. His interests are advanced by increasing his income, even if prices must go up somewhat at the same time. His interests are associated with the restoration of sound business conditions and competitive methods which will enable the industries of the country to be self-supporting and to pay a decent return to labor, investor, and owner. A sick industry is of no advantage to the consuming public, and the recovery effort to eliminate wasteful and destructive competitive methods represents no attack upon the interests of the consumer.—*Extracts, see 9, p. 192.*

by Dr. Frederick R. Macauley

Economist

IN considering what it is all about, the first thing for the investor to realize is that the objectives of the New Deal are of three kinds—one class of objective is concerned with the immediate future, another aims at controlling conditions one or two years from now, while the third class looks much further ahead.

The nearby objective is, by hook or crook, to pull business and the country out of the depression. The second is to prevent the process of recovery from leading to any unsound overexpansion in business or speculation later on. The most distant objective attracts less attention than either of the other two, but is more ambitious. It is, by an extension of governmental planning and control, to improve permanently the economic condition of the people of the United States as a whole, but more especially the lot of those classes that, under our present only partially controlled system, fare none too well.

Few persons could be found willing to admit that they disliked the idea of permanently improving the economic condition of all mankind. Both the near and the distant ideals of the New Deal are such as tend to be easily accepted without thought, let alone without controversy. It is the means and not the objectives of the New Deal that are so widely criticized.

The most fundamental criticism of the "means" proposed whether for recovery or permanent improvement is that no "means" of any kind are defensible. Critics who hold this view believe that neither medicine nor surgery is properly applicable to the ills of the body politic. They stress the curative and regulative powers of nature. They harp on the economic doctrine of *laissez-faire*—that doctrine which, in its most extreme form stated as an "economic law" the mystic concept that "somehow good will be the final goal of ill"; that, if each individual in an economic society be given complete freedom (outside the sporting restrictions of some Marquis of Queensbury criminal code designed merely to protect person and property from physical force or unvarnished fraud) to produce and exchange as he pleases and to enter into any contracts whatsoever; he will, in the words of Adam Smith, somehow be led "as by an invisible hand" to plan and labor for the greatest common good.

Laissez-faire is and always has been first and foremost a business man's philosophy. It is the outcry of the individual against being told "how to run his business."

During the Great Depression the movement away from "rugged individualism" was once again speeded up. By 1934 the "do nothing" element had almost vanished from the formula. At least for periods and conditions of economic stress and strain, the maxim had now practically become "When in doubt, do something." Moreover, strange as it may seem at first glance, this extremely dangerous doctrine is not revolutionary. It was the logical

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sible scope to individual initiative, effort and ambition. This is the lesson of history. This is the American creed.

It's because everything in me, all that I know and feel, tell me that regimentation means retrogression, not progress, and the sacrifice of some of the most precious rights this country was founded to uphold and preserve that I am convinced that the present program must not be permitted to furnish the foundation of future American life.

In the language of Governor Smith, "Let's take a look at the record."

The surest way to understand the government program and all its implications is to turn to the writing of the man who undoubtedly furnished its underlying philosophy—Professor Tugwell. In his book, "The Economic Discipline," after discussing our existing comparatively free though regulated competitive system, as contrasted with governmental control of industry, he wholeheartedly advocates complete government control. He proposes "a survey of the nation's needs for goods and services of all kinds, and a study of our present arrangement for providing them. Such a study would be the basis for undertaking such a rearrangement of present industries or such a control over their actions as would meet the criteria of the plan."

Dr. Tugwell lays down certain requirements necessary to the achievement of complete governmental control over industry:

1. "The flow of new capital into different uses would need to be supervised. * * * If there were a system of planning, * * * which allocated to specific industries capital sufficient to produce an amount of goods which would be taken by consumers at the price possible with capacity production, and no more prices could be lower than they are at present. The surplus investment capital could then be assigned to other industries."

2. "Prices would have to be controlled."

3. Industrial associations are to be set up which must receive certificates of convenience and necessity from the government, with authority to fix conditions of competition, maximum prices and minimum wages, working under a control board that would determine policies affecting "production, prices, division of markets, working conditions and the like." On this board representatives of the government would sit.

I call particular attention to the following sentence: "Their duties would consist in the clear and definite transmission to the board of the general plans for industry which are worked out by the government itself. These would concern consumption, production, the necessary allocation of capital and prices."

In other words, the Federal Government is to control our entire economic life, to determine what we may produce and at what price our products may be sold, what we may consume and in what quantities, what we may earn and what hours we may work. The United States is to be transformed into a sort of Spain of the sixteenth century.

The professor foresees that legal and administrative difficulties are likely to prove embarrassing, but he is equal to the task of overcoming these obstacles. We must

set up, therefore, he says, devices "of a sort to which business men will at first voluntarily agree, and which, at the same time, contain no threat to the public." The amazing thing is that by setting up the bait of the temporary suspension of the Sherman Act, our business men feel for the code device just as he had foreseen. A resourceful man Mr. Tugwell!

I know that all this sounds fantastic and that it seems unbelievable that anything like this can happen in the United States. And yet—it's already happened.

While the American people, eager and hopeful to escape from depression miseries, were blindly accepting everything offered them, these particular theories of this particular professor have actually been written onto the statute books of the United States. They are now the law of the land.

We have seen that Tugwell's basic prerequisites to a planned and controlled economy are control of prices, wages, production and the flow of capital. The NRA, the AAA, the Securities Act and the Stock Exchange Bill, taken together and supplemented by the government's fiscal program, have already placed control in the hands of government. The noose is over our head. Are we to permit it to be drawn?

Under the NRA the government in effect controls prices and wages, and indirectly production, since it can forbid the entry into a particular line of industry of a new competitor or the expansion of existing plants.

There can be no doubt that, under cover of the codes, prices are being fixed in a number of industries, totally disregarding the fact that a system of price fixing in competitive industries starts a whole train of consequences that must end in destroying economic freedom and, ultimately, our form of government.

Under the Bankhead law it controls production directly, even to the extent of limiting what an individual farmer may produce on his own farm.

To me it is one of the most amazing events in all history. Without consideration, without debate, in precipitate haste, a great nation is abandoning a system under which, say what you will, and in spite of recurring depressions, it has enjoyed for 150 years greater progress, greater and constantly increasing prosperity, greater happiness and greater freedom than any nation, any time, anywhere. And for what? For a system of centralized, rigid, bureaucratic control of all industry that has never worked anywhere and at any time, and even during its brief period of trial here is already exhibiting every evidence of failure.

I have read both Mr. Tugwell's books. Nowhere do I find that he has seriously faced the impossible difficulties of a centralized and completely controlled national economy in a country such as ours, or frankly recognized that it is totally incompatible with democratic institutions.

The evidence supporting his conclusions is shockingly inadequate. Apparently to him the most conclusive argument is found in the following statement: "For many years the technical task of devising plans for regulating our complex economic interests was too difficult to at-

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next step forward. It does not break with the past; it has grown out of the past.

Trial and error is not a new process in legislation. It has always been inevitable. Indeed, its inevitability has always been more or less consciously recognized. The "newness" is a mere matter of emphasis. And this brings us to the problem of weighing the soundness and desirability of the *means* that are being used or are likely to be used to accomplish the three objectives of pulling the country out of the depression, preventing the later appearance of any unsound business expansion or dangerous speculative boom, and permanently improving our present economic system.

However, before considering how well or ill the *means* are adapted to the *objectives*, it is highly desirable that the investor notice that the *objectives* may, at times, conflict with one another. For example, though a strong inflation of the currency would almost certainly speed recovery, it would undoubtedly make more difficult the problem of preventing the later appearance of unsound business and speculative conditions. Again, though such legislation as the Securities Act and the bill at present before Congress to regulate Stock Exchange procedure might tend to prevent unsound speculative sequelae, they also might well tend to retard recovery.

Under such circumstances how is the ordinary investor to attempt any "intellectual analysis" of the probable results of the things that are occurring in Washington? What can the poor investor do? The answer is plain. Though it is true that he may have to decide upon the refinements of the "intellectual analysis" by weighing and considering the work of others—as he does in almost all the controversial affairs of life, he is in a position to come to some broad and important conclusions on his own account. And the most important of these conclusions is that, heated statements to the contrary notwithstanding, *no governmental action likely to have really radical or extremely disturbing effects on the future course of security prices in general has so far materialized—or seems likely to materialize.*—*Extracts, see 8, p. 192.*

by Dr. Allen Nevins

Professor, American History, Columbia University

HISTORICALLY, much may be said for the contention that the dominant force in our political history for a hundred years (setting aside the two decades in which the slavery struggle rose to a climax) has been the rivalry of jealous groups over the allocation of our surplus wealth by the Federal and State governments. The stakes, in lands, tariffs, franchises and contracts, subsidies and tax exemptions, have been huge. No other nation has ever had such an economic surplus to divide. Consequently, the struggle has often been crude. Within 15 years we have seen special interests—as in the seizure of oil lands under Harding and the crowding of tariff beneficiaries around the Fordney-McCumber and Smoot-

Hawley committee rooms—strive shamelessly to get all four feet into the trough.

When Mr. Roosevelt came in he apparently had two possible courses. He could stand aside, as Grant did after the panic of 1873 and Cleveland after the panic of 1893, and let the careening vehicle right itself; he could accept Mr. Coolidge's much applauded view that "the business of America is business," and the Government must not interfere with it. Or he could intervene actively to control and police economic affairs. It is only in the too-long-conservative United States that the decisiveness with which he thrust *laissez faire* aside could occasion surprise. By so doing he simply brings the United States abreast of the other industrial nations, which have long since abandoned the Manchester tenets.

We have been told repeatedly of late that the history of the last year shows the administration pursuing two disparate and to some extent conflicting aims—to restore prosperity and to initiate a program of social and economic reform. But a more careful review of the 12 months shows that it has actually been following three great policies. They are (1) to restore a moderate and normal prosperity—not the flush and frenzied times of 1928-1929, but average good times; (2) to achieve an economic stability which will safeguard the community from future repetitions of our recent disaster, and (3) to initiate broad reforms in the distribution of wealth, opportunity and leisure.

It would have been easy enough to bring back prosperity of a sort. The business cycle had commenced its upward swing during the Summer of 1932. But what kind of prosperity was returning? We had major panics in 1837, 1857, 1873, 1893 and 1907. Broadly speaking, they were all cushioned by various factors which no longer exist—by free land, by waiting farms, even in the older sections; by rising new industries, such as Bessemer steel after 1873, the new electrical industry after 1893, the new automobile industry after 1907, and by expanding world markets.

This last panic and depression found no such cushions ready to soften its impact. We had 125,000,000 people instead of 15,000,000, as in 1837, and 40,000,000 as in 1873. Packed into great industrial centers without resources when these centers went numb, they beat helplessly against their prison walls. Prosperity without stability was endurable in a new and uncrowded Nation. It is no longer tolerable in a crowded land, where vast fixed populations are brought immediately to the point of starvation when employment fails.

Nor can stability be achieved without planning, without permanent controls and without a careful balancing of all the main elements of national life—without replacing some of our old rage for individualistic freedom by a new rage for social justice, even if it lessens freedom. What is the use of bringing back prosperity in 1934 merely to see it flower into a new hysteria of inflation and speculation and into another and possibly far bitterer season of panic and depression?

To talk of the success or failure of the definite practical features of the Roosevelt program is as yet absurdly premature. It is but fairly launched. Not one year,

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Mills, Cont'd

tempt. But today we know that this is no longer true, for Russia has shown that planning is practicable." It's a pretty sweeping assumption that the Russian experiment is a success when the standard of living there is still about the lowest of any so-called civilized country on earth—that is, barely above the subsistence level. But let that pass. What to me is a monstrous thought is that any one should suggest that the regimentation which has been applied to a nation, which never has and does not today enjoy the semblance of freedom, should or can be imposed on this the most liberty-loving, individualistic, enterprising and intelligent people in the world.

There are innumerable examples of government regimentation throughout history. Invariably it has repressed the creative instincts of mankind and throttled progress. It has never worked. It isn't working in the United States today.

The NRA has practically annulled the Sherman Law. It has injured the small business man. It is daily placing an additional burden on the consumer. Except in a limited number of industries, it has failed to improve conditions. It has retarded rather than helped recovery by putting up costs and prices before the attainment of volume. It is breaking down administratively.

The AAA is admittedly ineffective since resort is had to compulsory crop reduction.

The Securities Act and the general uncertainty regarding monetary policies have dried up the capital market so that the heavy industries, the principal source of unemployment, continue to mark time.

We were promised that if these experiments did not prove successful they would promptly be abandoned. Yet what is happening? The AAA, with its plan for voluntary cooperation, does not come up to expectations. Resort is had to compulsion. The NRA is found in practice to be inapplicable to the purely local business concern, and its compulsory features almost impossible of administration. Does that lead to more moderation? Ask the tailor in Jersey City who went to jail for pressing a pair of pants for 35 cents when the august code demanded a nickel more. True, the weakness of the Securities Act is so apparent as to require amendment, but a new control over the flow of capital and industry is imposed under guise of regulating Stock Exchanges. We have heard talk of soft-pedaling the NRA. It has not proceeded beyond the talk stage. But, simultaneously, Secretary Wallace demands more dictatorial powers under the AAA.

The abrogation of the air mail contracts without hearing or evidence, the indefensible Mellon persecution, and the case of the Jersey City tailor should serve as warnings to all of what may be expected when government becomes a government of men rather than of laws.

The case of the Jersey tailor should be read by every man and woman in America. It exemplifies the tyranny necessarily implied in any program of regimentation. The American Revolutionary War was fought and the Constitution of the United States adopted to free the individual from the tyranny of government. Today if such incidents continue to be tolerated, "individual liberty" will be but an empty phrase, without life or substance.

There was no statute of the United States fixing the

price of pants pressing. How could there be? There was no such statute of the State of New Jersey. There was a so-called code, adopted by certain individuals not elected by the people or holding public office, approved by the Chief Executive. The Chief Executive could on his own initiative have rewritten the code as presented by the Code Authority, and by Executive decree fixed the price at which pants could be pressed.

This man went to prison without even a trial by jury, not for violating a specific criminal statute, Federal or State, but for violating an Executive edict or decree. Shades of Patrick Henry and of Thomas Jefferson!

This isn't theory or argument, or deduction. It's stark reality. I'm not talking of what might happen. It's already happened. What does it mean? It means that you and I and the rest of our fellow-countrymen, pursuing with the utmost good faith the common callings of mankind, be they on the farm, in the factory, or in the marts of trade, doing only what we and our fathers had been accustomed to do, acts commonly accepted by the general opinion of mankind as not only harmless but beneficial, protected by Constitutional guarantees which had existed unchallenged for well nigh 150 years, can today be sent to jail without benefit of a jury trial for violating an edict of the President, issued in accordance with a new philosophy of government never authorized by the people.—*Extracts, see 5, p. 192.*

Chicago Daily News

Editorial

Does not the administration sometimes wonder why doubts are spreading? Why so many of its projects go awry? Why the sails of business back and fill? Why Congress rebels? Why the public mind is confused and uncertain? Why confidence wavers?

In case the administration does wonder why, here, we suggest, are a few of the reasons:

The Government in its own offices is keeping up the 44-hour week, but in private business is insisting on the 36-hour week.

The Government has cut the pay of its own employees but is urging wage increases in industry.

The Government has cut payments to veterans for reasons of economy but at the same time, to spread purchasing power, it is handing out money to farmers and C.W.A. workers.

The Government has condemned the previous administration in the strongest terms for having accumulated, over a period of years, a \$5,000,000,000 deficit, but it has itself in 1 year accumulated a much greater deficit.

The Government has one Budget which it boasts is

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Chicago News, Cont'd

not two, but at least three or four will be required to show whether this or that individual experiment will succeed, whether this or that goal will be reached by the means proposed. Opponents and supporters may still hurl facts and figures at each other with equal plausibility. On the one side men can point to millions re-employed, to wage rolls increased, to production figures and sales figures rising, to higher prices for cotton and wheat. On the other side men may point to difficulties and breakdowns in the crop-limitation program, to delays in the public works program, to waste in the civil works activities, to distrust of the monetary measures.

There are some dangers, widely discussed for a time, which have emphatically not been realized. The talk of dictatorship has died away. It is true that Congress in 100 days voted 77 powers to the Executive—but most of the transfers were temporary. It is true that for a year the division of powers between executive, legislative and judiciary branches contemplated by the Constitution has been abrogated—but that division has seldom really existed anyhow.

The alleged danger of a great bureaucracy has likewise proved much exaggerated. It has certainly not yet appeared.

On the other hand, certain dangers and difficulties, at first unforeseen, may emerge. The heavy cost of the program has produced a growing uneasiness. It will certainly grow much more rapidly still unless the President shows the same courage in checking certain forms of expenditure, notably for the C. W. A., that he showed in facing the veterans.

It is an achievement meanwhile to have abolished child labor. It is an achievement to have shortened hours in so much of industry. Foreign experts have long told us that in many industries the United States has been slow in abbreviating the working week and has lagged behind the rationalized industries of Great Britain and other lands. Our industrial equipment being the most efficient in the world, we should logically be the world's leader in reducing hours.

The same principle applies to agriculture. Because our farming at its best is the most efficient in the world we have reason to regard with approval instead of alarm. Secretary Wallace's idea on "the complete control, acre by acre, of all America's farm land, with only rich soil used for farming and the remainder devoted to forests, recreation, residence and the like."

It is a distinct achievement, again, to have added perhaps 2,000,000 men already to the ranks of organized labor. There are European nations in which 30 or 40 per cent of the wage earners are unionized, and it is deplorable that in the United States the number has heretofore not reached even 10 per cent.

There can be no doubt that Secretary Wallace was right when he said:

"The things this administration has done thus far may seem spectacular, but they are only a faint foreshadowing of some of the things which will ultimately be necessary before the United States has finally made for herself her new, true place in the family of nations."—*Extracts, see 10, p. 192.*

balanced but it has another, an "emergency" Budget, which is completely unbalanced.

The Government, under N.R.A., encourages business to get together, arrange prices, and eliminate unfair competition, yet it cancels the air-mail contracts because, it alleges, business, under the former administration, did precisely that. And in letting Government contracts it still demands, despite N.R.A., that bidding be competitive.

The Government is setting up complicated machinery to settle labor disputes peaceably, yet by its policies under N.R.A. it appears to be causing labor disputes.

The Government went off gold and deliberately depreciated the dollar, but at the time the United States had the biggest gold reserve in the world.

The Government did this ostensibly to raise prices and stimulate business so that the burden of debt would be lightened, yet the burden of debt has been so little lightened—it has been, in fact, so much increased—that the Government now proposes, in addition, a general scaling down of debts, thus giving us inflation and deflation simultaneously.

The Government sought to restore confidence by a de facto stabilization of the dollar at 59 cents, yet at the same time it shook confidence by the formal warning that there may be further fluctuations or devaluations.

The Government opposes high tariffs, yet it has not only left the tariff as high as it was before but, by depreciating the dollar, has, in effect, lifted it much higher.

The Government sought under N.R.A. to spread work and make more jobs, yet its methods, by raising prices faster than purchasing power, tend to slow up production; that is, the possibility of making more jobs.

The Government sought, by forcing wage increases and by handing out money, to stimulate business, yet its own policies under N.R.A., by increasing costs and interfering with management, tend to slow up business.

The Government urges the banks to lend more freely; yet, under its new banking legislation, it holds them more strictly accountable for each loan made.

The Government, to hasten recovery in the capital goods industries, urges banks and investors to lend; yet at the same moment, by the securities act and the stock exchange bill, it discourages lending and investing.

The Government, under A.A.A., restricts crops and kills little pigs in one region, but under P.W.A. irrigation projects, in another region, it is bringing new land under cultivation.

In short, the Government's emergency measures, taken together, are a tissue of inconsistencies. They get in their own way, one jostling or blocking another.

Appropriately enough, the man who has at last pronounced the judgment of common sense on this jumble is himself a university man, Frederick A. Bradford of Lehigh. On March 7 Mr. Bradford said in the New York Times:

"We do not like to see the Government performing like the knight of old who sprang into the saddle and dashed madly off in all directions. To sit back and cheer such action is the most destructive of all criticism."—*Extracts, see 7, p. 192.*

The Seventy-Third Congress

Duration—March 4, 1933-January 3, 1935. First Session Convened March 9, 1933; Adjourned June 16, 1933. Second Session Convened January 3, 1934.

In the Senate

Membership
Total—96

60 Democrats

35 Republicans

1 Farmer-Labor

Presiding Officer

President: John N. Garner, D.
Vice-President of the United States

Floor Leaders

Majority Leader

Joseph T. Robinson, Ark., D.

Minority Leader

D. Charles L. McNary, Ore., R

Officers

President Pro Tempore

Key Pittman, Nev., D.

Secretary

Edwin A. Halsey

Sergeant at Arms

Chesley W. Jurney

Chaplain

Dr. ZeBarney Thorne Phillips,
D. D.

In the House

Membership
Total—435

313 Democrats

115 Republicans

5 Farmer-Labors
2 Vacancies

Presiding Officer

Speaker: Henry T. Rainey, D.
Member of the House from Illinois

Floor Leaders

Majority Leader

Joseph W. Byrns, Tenn., D.

Minority Leader

D. Bertrand H. Snell, N. Y., R.

Officers

Clerk of the House

South Trimble, Ky.

Sergeant at Arms

Kenneth Romney

Doorkeeper

Joseph J. Sinnott

Chaplain

Rev. James Shera Montgomery, D. D.

Progress Made on Other Major Legislation

As Congress Closes

UNLESS there is an epilogue in the form of an extra session, which, although improbable, is by no means impossible, the adjournment of the second session of the Seventy-third Congress, fast approaching as the Digest goes to press, will ring down the curtain on one of the most historic dramas ever enacted by the National Legislature of the United States.

The end of the present session will mark the end of the activity of the first Congress to operate under the provisions of the Twenty-first, of "Lame Duck" Amendment to which amendment changed the meeting dates of sessions of Congress and the date of inauguration of the President and Vice-President.

The object of this amendment, it will be recalled, was to do away with what were known as "Lame Duck" sessions of Congress, the second regular sessions. Under the system that had obtained for more than 100 years—since 1820, in fact—Congress met each year on the first Monday in December. The terms of Senators and Representatives began on March 4 of the year following their election and ended, for Representatives, two years after that March 4 and for Senators, six years after.

Thus a Representative, elected in 1930, began serving on March 4, 1931, and continued to serve until March 4, 1933. But many Representatives are defeated every two years and yet a Representative, elected in 1930 and defeated in 1932, would serve his second session from the first Monday in December 1932 until March 4, 1933. This was the "short" session under the old system.

It was this service of three months after a man had been defeated and had become a "Lame Duck" that Senator George Norris sought to avoid by his amendment.

To clear up so many doubts about the new dates of meeting it is well to read the full text of the amendment itself, which follows:

Section 1. The terms of the President and Vice-President shall end at noon on the 20th day of January, and the terms of Senators and Representatives at noon on the 3rd day of January, of the years in which such terms would have ended if this article had not been ratified; and the terms of their successors shall then begin.

Section 2. The Congress shall assemble at least once in every year, and such meeting shall begin at noon on the 3rd day of January unless they shall by law appoint a different day.

Section 3. If, at the time fixed for the beginning of

the term of the President, the President-elect shall have died, the Vice-President-elect shall become President. If a President shall not have been chosen before the time fixed for the beginning of his term or if the President-elect shall have failed to qualify, then the Vice-President-elect shall act as President until a President shall have qualified; and the Congress may by law provide for the case wherein neither a President-elect nor a Vice-President-elect shall have qualified, declaring who shall then act as President, or the manner in which one who is to act shall be selected, and such person shall act accordingly until a President or Vice-President shall have qualified.

Section 4. The Congress may by law provide for the case of the death of any of the persons from whom the House of Representatives may choose a President whenever the right of choice shall have devolved upon them, and for the case of the death of any of the persons from whom the Senate may choose a Vice-President whenever the right of choice shall have devolved upon them.

Section 5. Sections 1 and 2 shall take effect on the 15th day of October following the ratification of this article.

Section 6. This article shall be inoperative unless it shall have been ratified as an amendment to the Constitution by the Legislatures of three-fourths of the several States within seven years from the date of its submission.

The amendment was ratified by Missouri, the thirty-sixth state, on January 23, 1933 and, by the terms of the amendment, went into effect on October 15, 1933.

This meant that the terms of Representatives elected in 1932 and Senators elected in 1928 were shortened by two months. Had the amendment not been adopted their terms would have ended March 4, 1935. As it is, their terms will end January 3, 1935, when the Seventy-fourth Congress will begin.

All members of the House elected this year will serve from January 3, 1935 to January 3, 1937. All Senators elected this year will serve from January 3, 1935 to January 3, 1941.

The President and Vice-President elected in 1936 will be inaugurated on January 20, 1937 and serve until January 20, 1941.

The changing of the date of the meeting of Congress and the advent of the Roosevelt New Deal was a coincidence.

All the members of the House in the Seventy-third Congress had been elected in 1932 under the old plan, to begin their service on March 4, 1933, because the Twentieth amendment was not in effect in November 1932. Consequently they were eligible for duty at noon on March 4, 1933 and were ready to serve when the President called them into extraordinary session on March 9, 1933.

If the President had not called the extra session, however, the Seventy-third Congress would have met for the first time on January 3, 1934.

As this is written it is apparent that Congress is likely to adjourn by the end of June, at the latest. In this event, members of this Congress will continue to be eligible for service without reelection until January 3, 1935.

Can the President call them into extra session?

Without a doubt.

And therein lies an interesting possibility.

Suppose an emergency or an exigency or any other reason should arise that caused the President to feel he

needed further legislation from Congress. Suppose he considered the need so pressing as to demand immediate action and called Congress into extra session?

Several political speculators around the Capitol sincerely consider it highly probable that such an event may transpire. They declare privately that it would not surprise them a bit if, along about the first of November, the President might announce that, immediately following the elections, he would call Congress into extra session.

In that event the purpose of the *Lame Duck* amendment would be avoided by the first Congress to meet under its provisions, because those Senators and Representatives who were defeated in the November elections would serve several weeks after their defeat in a "*Lame Duck*" session.

There has been no official information whatever that the President has any such plan in thought, but it is legally possible and a few rather wise political observers are inclined to think it highly probable that there will be an extra session of the present Congress in the autumn.

But regardless of what lies in the future, the fact that the first anti-*Lame Duck* Congress and the Roosevelt New Deal synchronized has served to mark the actions of the Seventy-third Congress as being of intense historical interest.

Whether its work stands or is undone, the Seventy-third Congress will go down on the record books as one of the most remarkable of American Congresses.

To begin with, it has shown an obedience to the Executive such as was never shown by a Congress before, even during the most intense periods of the World War.

It has broken all records in granting authority to a President and it has appropriated more money than any other single Congress except the Sixty-sixth Congress, which sat during the period America was in the World War.

Throughout the greater part of the two sessions the President has undoubtedly held the whip hand over both branches of Congress. A handful of Representatives and Senators opposed some of his demands from the outset, speaking and voting against them.

The first set-back received by the President was the passage of amendments to the Economy act of 1933 restoring cuts to war veterans and Government employees, both the House and Senate passing these amendments over the President's veto.

Next came the air mail contract legislation, in which the recommendations of the Administration were discarded and a brand new bill drawn and passed along the lines recommended by Col. Lindbergh and other practical air men.

The question of extending the licensing provisions of the National Industrial Recovery Act did not come to an issue since the Administration did not ask Congress to take this action. These provisions become a dead letter on June 16, one year after the approval of the act.

As the session draws to a close lines are tightening in the Senate, while the House is operating under a rigid "gag" rule, passed by the Democratic majority, which prevents the amendment of any bill brought in from committee and limits discussion to a minimum, a bill vigorously but fruitlessly fought by the House Republicans.

The President notified Congress that there were several

bills whose passage he considered imperative before adjournment. The House passed the billion dollar deficiency appropriation bill asked by the President, but declined his request to lump all relief appropriations and permit him to use them as he saw fit. Each appropriation, therefore, remains as originally passed, for definite uses.

Before the Senate are the silver bill, the amendments to the Agricultural Adjustment Act, increasing the powers of the Secretary of Agriculture, the housing bill, the Wagner bill for the settlement of labor disputes and the nomination of Professor Rexford G. Tugwell, now Assistant Secretary of Agriculture, to fill the newly created office of Under Secretary.

All these the President desires acted upon, but several of them are meeting with stubborn opposition.

Senator Byrd, Democrat, Virginia, is conducting a bitter fight against the AAA amendments. Strong opposition for the Wagner bill and the housing bill have been indicated. Senator Smith, South Carolina, Democrat, chairman of the Committee on Agriculture is opposing the confirmation of Professor Tugwell. The silver bill is being opposed but will probably pass.

Quiet efforts to obtain a cloture rule in the Senate have met with rebuff and it is apparent that a last minute tangle will end in a much later date of adjournment than the Administration wants or in the abandonment, by the President, of some of the measures he desires to have passed.

Stock Exchange

THE Stock Exchange control bill, the official title of which is "The Securities Exchange Act of 1934," was passed by both the House and the Senate on June 1 and approved by the President on June 6. The provisions of the Act will become effective over the next four months. The general provisions become effective on July 1. The provision calling for the registration with the Government of all stock exchanges and all stocks on these exchanges becomes effective September 1. The provisions regulating margins, borrowings, brokerage and corporate functions become effective October 1.

The bill gives the Government complete control over stock exchanges and taken with the Federal Securities Act of 1933 enables the Government to regulate all practices in the investment markets. Its principal provisions are:

Creates a new five-man commission to administer the provisions of the Federal Securities Act of 1933 and the Securities Exchange Act of 1934. Places limit on margins by specifying loans shall not exceed 45 per cent of the market value of the security used as collateral, this restriction being subject to change by the Federal Reserve Board. Restricts speculative borrowing by members of exchanges and brokers; outlaws "wash sales" and similar practices.

Requires registration of exchanges, stocks handled by them and full reports on corporations offering securities, and on their officers and stockholders.

The bill contains a number of amendments to the Federal Securities Act of 1933 which will be found on page 191 under "Aftermath."

Silver

THE silver purchase bill is in process of consideration as the Digest goes to press. It is on the President's schedule of bills he wants passed before Congress adjourns.

Following are the principal provisions of the bill:

Declares the policy of the United States to be to increase the proportion of silver to gold in its monetary stocks with the ultimate objective of having and maintaining in silver one-fourth of the monetary value of the stocks of gold and silver, and three-fourths of the monetary value of such stocks in gold.

Authorizes and directs the Secretary of the Treasury to purchase silver at home and abroad at a price not exceeding its monetary value and if bought in the United States, at a price not to exceed 50 cents an ounce; and to sell silver whenever the market price exceeds its monetary value or the supply on hand is more than 25 per cent of the monetary value of stocks of gold and silver.

Authorizes the Secretary to issue as legal tender, silver certificates in any denominations he may prescribe, to be secured by silver bullion and standard silver dollars.

Authorizes the Secretary to regulate the acquisition, transportation, exportation and importation of silver.

Authorizes the President, by executive order, to require the delivery to the mints of silver "no matter who the owner or holder may be or where the silver may be located"; such silver to be coined into silver dollars or otherwise added to the monetary stocks.

Amends the stamp tax provisions of the existing law to provide a transfer tax on silver equal to 50 per cent of the difference between the cost to the transferor, plus allowed expenses, and the price received. This provision is designed to control speculation in silver.

Supporters of the silver bill declare it to be a logical and necessary complement of the gold reserve act approved by the President, January 30, 1934.

Opponents of the bill declare it involves a drastic change in the monetary policy of the United States and deserves full discussion by Congress. A minority report signed by the nine Republican members of the House Committee on Ways and Means charges the chairman and other Democratic members of the committee with rushing the bill through the committee and arbitrarily refusing hearings, except representatives of the Treasury.

Agriculture

AMENDMENTS to the Agricultural Adjustment Act are under consideration as the Digest goes to press. The proposed amendments give the Secretary of Agriculture increased powers to compel performances under the A. A. A. including the issuance or refusal of licenses to processors and middle men, etc.

A bill embodying these amendments, which were requested by the Secretary of Agriculture, has been reported by the Senate Committee on Agriculture and Forestry. Opposition is being voiced in the House and Chairman Jones of the House Committee on Agriculture has announced he will await Senate action before having

the proposed amendments considered by his committee. The passage of this legislation has been requested by the President.

Bills to amend the grain futures and cotton futures acts to further curb short selling of those commodities, have passed the House and are awaiting action by the Senate.

Air Mail Contracts

ON June 5 the Senate adopted the conference report on the Air Mail Contract Bill (S. 3170) which revises the present laws. Among the important provisions of the new bill are the following:

Reduces mailing rates from 6 cents to 8 cents an ounce, with every additional ounce costing 6 cents.

Bidders on contracts may appeal to the Comptroller General over denial of an award.

Contracts may be transferred only on approval of the Postmaster General.

Air mail contractors to receive 33½ cents per airplane-mile for mail loads up to 300 pounds, with a maximum of 40 cents for heavier loads.

No contractor may hold more than three air mail contracts and a contractor for a primary route cannot contract for another primary route.

Air mail routes limited to total of 29,000 miles, schedules to 40,000,000 airplane-miles, but the Postmaster General may extend any route up to 100 miles.

The Interstate Commerce Commission is to decide what are fair rates for carrying air mail after a study of operating costs and all other factors involved. It is to fix the rates to keep the cost of the service within limits of anticipated revenue on and after July 1, 1938. So far the service has been a money loser.

Contracts to carry air mail may be extended indefinitely if the service is satisfactory.

Detailed regulation of corporate activities of carriers is provided. The Secretary of Commerce can prescribe maximum flying hours and safety requirements.

The President is authorized to name a commission of five to investigate the entire aviation problem and the Government's relation to flying, a report with recommendations to be made by February 1, 1935.

Oil

ON May 28 the Senate Committee on Mines and Mining reported S. 3495 to limit the movements of crude petroleum in commerce to the amount

required to supply domestic and export demands. In its report of the bill the Committee describes the provisions of the bill as follows:

"The bill requires the Secretary of the Interior to limit the importation of petroleum and its products, including natural asphalt, to such quantities as will prevent these imports from interfering with current domestic production by supplying an undue proportion of the domestic consumptive and export demand. Prior to the end of 1935 the imports per month shall not exceed the average monthly imports during the last 6 months in 1932.

"The bill provides that the Secretary of the Interior shall determine the amount of the consumptive and export demand in the United States for petroleum and the products thereof.

"Using this determination as a basis the bill authorizes the Secretary of the Interior to determine the demand for crude petroleum from any State, pool, field, lease or property, storage unit, or other similar source of supply. The various factors to be taken into consideration in determining this demand are specifically stated in the bill.

"The bill requires the Secretary of the Interior to prescribe quotas of crude petroleum for movement into commerce, the amount of the quotas from each source of supply being equal to the demand for crude petroleum from that source of supply.

"The bill provides that quotas of production may be prescribed only if necessary to make effective the enforcement of quotas for movement of crude petroleum in commerce and shall in no case be prescribed in any State so long as the orders of any State agency of that State prove effective in controlling the orderly movements of crude petroleum into commerce from that State.

"To make effective the quotas established under this bill, the Secretary of the Interior is authorized to require certificates of clearance for crude petroleum in such areas and at such times as he may deem necessary.

"Before any quotas are prescribed pursuant to the provisions of this bill it is required that hearings shall be held after reasonable notice and all interested parties shall be entitled to be heard, provided that in case of emergency temporary quotas for a period not exceeding 31 days may be prescribed without notice or hearing.

"The bill provides for the establishment of a petroleum administrative board of not more than seven members, to which the Secretary of the Interior may delegate the powers granted to him. The members of this board are to be appointed by the President with the advice and consent of the Senate. The compensation of members and employees of the board shall be fixed in accordance with the Classification Act of 1923, as amended. It is contemplated that this board will be the real administrative agency for effectuating the purposes of the bill subject to the general supervision of the Secretary of the Interior."

STUDY OUTLINE:—

● On the Progress of the Roosevelt "New Deal"

For the class desiring to discuss the Roosevelt New Deal several important points are to be considered before the actual discussion may be undertaken with any degree of intelligence. Among these points are the following:

1. What is the origin of the New Deal?

Information on this question will be found on page 162 together with a quotation from Franklin D. Roosevelt's speech at the Democratic National Convention in Chicago in 1932 when he accepted the nomination for the Presidency.

2. What does the New Deal comprise?

This question is answered in varying degrees in the Pro and Con section, notably by Secretary Ickes and by Assistant Secretary Dickinson, in behalf of the Administration, and by Ogden L. Mills, Senator Reed, Senator Borah and Representative Snell in reply.

3. How was the New Deal put into operation?

This phase of the question is dealt with in the history of New Deal legislation, beginning on page 163 and on the pages immediately following, in which the establishment of the "Alphabet" agencies by the President under legislative authority is described.

4. Politics and the New Deal.

An outline of what the leaders of both parties are looking forward to as the issues of the Congressional campaign of the present year, culminating on Election Day, November 6 next, will be found in the Progress of Legislation, beginning on page 185.

5. The New Deal must be considered in two parts:

- a. Its emergency features.
- b. Its permanent features.

Among the emergency features are the public works, aids to states, and all other measures which involve the actual payment of Government funds with the object of putting money into the pockets of the unemployed.

Principal among the permanent measures are the National Recovery Administration, the Agricultural Adjustment Administration, the Tennessee Valley Authority and bank control.

Critics of the New Deal point out, as will be found in the Pro and Con section, that many of the plans of the New Deal, characterized as temporary expedients to stimulate economic recovery, are in reality entering wedges for the establishment of permanent governmental policies alien to the American system of government as set forth in the Constitution of the United States, the organic law of the land.

In reply, the supporters of the New Deal state that, in regard to some of its agencies this charge is untrue because they are, in reality, purely temporary and are to be abandoned as soon as the necessity for them disappears, and, in regard to other agencies, they declare that while they appear to be at variance with the American system of government, they are, in reality, in complete accord with the spirit of the Constitution and that they are necessary to meet changed conditions in the country due to modern economic development.

Following out the program for class discussion of national problems, as set forth in the Digest Handbook*, it is necessary to lay before the class a concrete piece of legislation for committee consideration.

With the vast and diverse proportions of the New Deal facing it, this would appear to be a difficult problem. However, for class purpose it can be dealt with quite simply.

If the class desires to discuss and vote on the New Deal, as a whole, it may do so in the following manner:

It may assume that the end of a Congress is about to be reached. But a few days remain before the Seventy-third Congress automatically goes out of existence (actually that date will be January 3, 1935). It may also assume that a legislative jam exists and that in that jam are caught various measures providing for the extension of the New Deal and of the funds necessary to carry on its program. Rather than have the program crippled or face the calling of an extra session, the Democratic leader may introduce what is known as a Continuing Resolution to read:

"Be It Resolved: That all special authorization given the President of the United States by the Congress since March 9, 1933, be continued in effect for one year and that all appropriations made to carry out the President's program be continued for one year."

The Continuing Resolution in actual practice in Congress has frequently been used when the two houses faced absolute disagreement in the closing hours of a session over an appropriation bill. The bill is then dropped and a resolution introduced and passed to continue, for the ensuing year, for the particular department involved, the same appropriation it has for the current year.

By this means the class can arrive at a vote as to whether to approve or disapprove the New Deal as a whole.

If, on the other hand, it wants to consider any particular phase of the New Deal—N.R.A., A.A.A., P.W.A. or T.V.A.—it may have introduced a bill to continue or discontinue the particular activity involved. See article giving duration of New Deal Legislation on page 163.

* *Instructor's Handbook, "Teaching American Government and Politics by the Laboratory Method," published by The Congressional Digest.*

QUESTION BOX:—

Answering Queries from Students on the Coming Congressional Campaign

Q. Are candidates for Congress nominated at state primaries in all states?

A. No. The following five states still nominate by the party convention system: Connecticut, Delaware, New Mexico, Rhode Island and Utah.

Q. How many members of the Senate are up for re-election this year? How many are Republicans and how many Democrats?

A. A total of thirty-five Senators are facing elections this year, thirty-two whose regular six-year terms expire and three who were either appointed or elected to fill vacancies. Seventeen of the thirty-five are Republicans, seventeen Democrats and one Farmer-Labor.

Q. What is the amount of the Democratic majority in the Senate and the House during the present Congress?

A. In the Senate the Democrats hold sixty seats, the Republicans thirty-five, Farmer-Labor, one; giving the Democrats a majority of twenty-four. In the House there are three hundred and twelve Democrats, one hundred and fifteen Republicans and five Farmer-Labor, giving the Democrats a majority of one hundred and seventy-eight.

Q. How many seats do the Republicans in the next Congress need to gain to obtain control of the Senate?

A. Fourteen in addition to re-electing the seventeen Republicans facing election this year. This would give them a voting power of 49 out of a total of 96, leaving 46 Democrats and one Farmer-Labor, or a possible total of 47 opponents. If the Republicans should attain a voting strength of only 48, it might result in a tie vote with 47 Democrats and one Farmer-Labor in which case the deciding vote would fall to the Democratic Vice-President.

Q. How many seats do the Republicans need to gain to obtain control of the House?

A. One hundred and three. The total House membership is 435, the majority consisting of 218. The Republicans now hold 115 seats and would therefore need 103 more to obtain the majority. Unlike the Senate the presiding officer of the House cannot contribute another vote as he is already a member of the body.

Q. Are candidates for the Senate and House assisted by national party organizations or does each candidate conduct his own campaign?

A. In addition to its National Committee each of the major political parties maintains a permanent Senatorial Campaign Committee and a permanent Congressional Campaign Committee.

The Senatorial Committees are composed of members

of the Senate not up for re-election. As the entire membership of the House is up for re-election in every campaign year, this does not apply to the Congressional Committee. The rule in each party in the House is the same—each state that has one or more Republican Representatives has a member on the Republican Congressional Committee and likewise each state having Democratic Representation has a member on the Democratic Committee. Each Committee elects a chairman and an executive committee to handle the campaign work.

Q. Is there a national law regulating the amount of money a candidate for election to the Senate or House may spend in his campaign?

A. Yes. The Corrupt Practices Act of 1925, which covers both primaries and elections.

Unless the laws of his state prescribe less, a candidate for the Senate may spend up to \$10,000 and a candidate for the House up to \$2,500, or an amount "equal to the amount obtained by multiplying three cents by the total number of votes cast at the last general election for all candidates for the office which the candidate seeks, but in no event exceeding \$25,000 for a candidate for Senate or \$5,000 for a candidate for Representative."

Certain expenses, including state assessment fees, travel, subsistence, stationery, printing, mailing, telegraph, telephone, etc., are exempted.

Candidates for the Senate are required by the Act to file sworn statements of their expenditures with the Secretary of the Senate. Candidates for the House file their reports with the Clerk of the House.

The entire membership of the House, totaling 435, must be elected this year. The third of the membership of the Senate facing election in the fall are as follows:

Democrats: Senators Ashhurst, Ariz.; Bachman, Tenn.; Byrd, Va.; Connolly, Texas; Copeland, N. Y.; Dill, Wash.; Erickson, Mont.; Hatch, N. Mex.; King, Utah; McKellar, Tenn.; O'Mahoney, Wyo.; Pittman, Nev.; Stephens, Miss.; Thompson, Nebr.; Trammell, Fla.; Wheeler, Mont.; Walsh, Mass.

Republicans: Senators Austin, Vt.; Cutting, N. Mex.; Fess, Ohio; Frazier, N. Dak.; Goldsborough, Md.; Hale, Me.; Hatfield, W. Va.; Hebert, R. I.; Johnson, Cal.; Kean, N. J.; LaFollette, Wis.; Patterson, Mo.; Reed, Pa.; Robinson, Ind.; Townsend, Del.; Vandenberg, Mich.; Walcott, Conn.

Note. Answers to the numerous queries received relating to the "Lame Duck" Amendment and its consequences will be found by reading the article on page 185.

AFTERMATH:—

Progress of Problems Discussed in Special Features of Preceding 1934 Numbers of the Digest

Gold

(January, 1934)

The gold policy of the Administration remains unchanged. There have been no recent developments of importance.

Federal Aid in Education

(February, 1934)

The House Committee on Education has reported a bill authorizing the appropriation of \$75,000,000 for the aid of schools in 1935 but its passage at this session is not expected.

All developments in the movement for Federal Aid for Education will be reported in full in the August-September number of the DIGEST.

Food and Drugs Act

(March, 1934)

In the closing days of Congress Senator Royal S. Copeland of New York is making a vigorous effort to obtain passage of his bill to amend the existing Food and Drugs Act. The Committee on Commerce agreed to additional amendments, none of them vital, on June 7 and ordered a reprint of the bill.

If the bill passes the Senate, which is still in doubt, it is not expected to pass the House at this session.

This means it will have to be reintroduced in the next Congress and repassed by the Senate.

National Defense

(April, 1934)

Beyond the passage of the regular army appropriation Congress enacted no particular national defense measures so far as the army is concerned. The appropriation bill carried a total of \$250,760,136 for military purposes for

the fiscal year ending June 30, 1935. The appropriation for the present year was \$271,873,353, but was reduced by the Director of the Budget, in the interests of economy, to \$228,316,252. If the appropriations for 1935 are allowed to stand the army is, therefore, better off than it was last year.

Bills in the House to increase the army from its present size of 12,000 officers and 118,750 men to 14,063 officers and 165,000 men were considered but not reported by the House Committee on Military Affairs.

In addition to the regular appropriations for the army the President allocated out of emergency funds \$75,000,000 for aircraft and \$10,000,000 for motor trucks.

Bids have been opened but not awarded for 64 bombing planes and bids will be opened in September for 30 pursuit planes.

The purchases of motor trucks have been held up because of the refusal of the Comptroller General to permit the army to accept the low bid of the Ford Motor Company. Ford has appealed to the courts and the case is awaiting final decision.

The Vinson bill to bring the navy up to treaty strength contained an authorization but no actual appropriation of money. The President, however, had previously allocated from NRA funds \$138,000,000 for the construction of two airplane carriers; one 8-inch gun cruiser; three 6-inch gun cruisers; four submarines; twenty destroyers and two gunboats.

The annual navy appropriation bill for 1935 carried a total of \$384,000,000 and provided for one 8-inch cruiser; one heavy cruiser and three light cruisers.

Congress also passed bills extending the selective provisions of the acts covering personnel down to lieutenant commanders and lieutenants of the Navy and to lieutenants of the Marine Corps. This means that these lower grade officers will have to pass annual efficiency tests for promotion or be dropped. A bill was passed, also, graduating full classes of the Naval Academy hereafter and restoring to the service the half of the 1933 class which was not graduated.

Federal Securities Act

(May, 1934)

Amendments to the Federal Securities Act of 1933 were incorporated with the Securities Exchange Act of 1934 (the Stock Exchange bill) as Title II of the new bill.

The most important of these amendments are the following:

Section II (a) is amended so as to require proof that the purchasers of a security at the time he acquired the security, relied upon the untrue statement in the registration statement or upon the registration statement and did not know of the omission. But this requirement is imposed only in the case of purchase after a period of 12 months subsequent to the effective registration date and then only when the issuer shall have published an earning statement to its security holders covering a period of at least 12 months after the registration date. The basis of this provision is that in all likelihood the purchase and price of the security purchased after publication of such an earning statement will be predicated on that statement rather than upon the information disclosed upon registration.

Amendments to section 13 reduce the periods of limitations on actions from those at present provided by the section. They also correct an apparently inadvertent omission by making the limitation expressly applicable to actions under section 12 (2).

Section 15 is amended so as more accurately to carry out its real purpose. The mere existence of control is not made a basis for liability if it is shown that the controlling person had no knowledge of or reasonable ground to believe in the existence of the facts upon which the liability of the controlled person is alleged to be based.

Amendments to section 19(a) to permit the regulations of the Commission, under the powers conferred upon it, adequately to protect persons who rely upon them in good faith. The powers of the Commission are also extended to include the defining of technical as well as trade and accounting terms.

Other amendments make clear that the provisions of the Act apply to fractional undivided interests in oil gas and other mineral rights; exempt from the Act municipal bondholders protective committees and the securities of additional public state instrumentalities and extend exemptions to real estate reorganizations where they are supervised by a court or state insurance or banking commission.

SOURCES OF INFORMATION FOR THIS ISSUE

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 2. (Ickes) Address, Survey Associates Banquet, N. Y. C., February 8, 1934.
 3. (Johnson) Address, Ohio State Fair, Columbus, Ohio, May 4, 1934.
 4. (Hastings) Congressional Record, March 26, 1934.
 5. (Mills) Address, N. Y. State Young Republican Clubs, White Plains, N. Y., March 19, 1934.
 6. (Snell) Radio Speech, Columbia Broadcasting System, Wash., D. C., April 25, 1934.
 7. (Chicago Daily News) Editorial of March 17, 1934.
 8. (Macaulay) Article in *The Annalist*, April 13, 1934.
 9. (Dickinson) Article in the *Annals of the American Academy*, March, 1934.
 10. (Nevins) Article in the *Washington Star*, March 4, 1934.
 11. (Reed) Radio Address, Scranton, Pa., May 12, 1934.
 12. (Borah) Congressional Record, January, 18, 1934.
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